MDC
CORPORATION INC.

1999 ANNUAL REPORT

Building market LEADERS

Consolidated Financial Summary

For the year ended December 31

(IN THOUSANDS OF CANADIAN DOLLARS EXCEPT PER SHARE AMOUNTS)	1999	1998	% Change
Sales	**661,281**	476,727	+ 39
Operating income	**124,291**	78,644	+ 58
Income before income taxes and goodwill charges	**45,499**	30,280	+ 50
Cash flow from operations	**69,735**	45,072	+ 55
Net income for the period	**23,007**	14,108	+ 63
Earnings per share			
Income before goodwill charges			
Basic	**1.70**	1.41	+ 21
Fully diluted	**1.49**	1.24	+ 20
Earnings per share			
Net income			
Basic	**1.19**	0.93	+ 28
Fully diluted	**1.10**	0.88	+ 25
Cash flow per share			
Basic	**3.82**	3.25	+ 18
Fully diluted	**3.14**	2.64	+ 19

For the three months ended December 31

(IN THOUSANDS OF CANADIAN DOLLARS EXCEPT PER SHARE AMOUNTS)	1999	1998	% Change
Sales	**183,301**	132,872	+ 38
Operating income	**32,082**	24,353	+ 32
Income before income taxes and goodwill charges	**11,398**	9,660	+ 18
Cash flow from operations	**20,202**	14,461	+ 40
Net income for the period	**6,488**	4,402	+ 47
Earnings per share			
Income before goodwill charges			
Basic	**0.47**	0.41	+ 15
Fully diluted	**0.41**	0.38	+ 8
Earnings per share			
Net income			
Basic	**0.34**	0.26	+ 31
Fully diluted	**0.31**	0.26	+ 19
Cash flow per share			
Basic	**1.11**	0.90	+ 23
Fully diluted	**0.90**	0.61	+ 48

Condensed Consolidated Balance Sheet

As at December 31

(IN THOUSANDS OF CANADIAN DOLLARS)	1999	1998	% Change
Cash and short-term investments	**35,308**	20,157	+ 75.2
Other current assets	**221,306**	174,301	+ 27.0
Other assets	**649,710**	545,555	+ 19.1
Total assets	**906,324**	740,013	+ 22.5
Current liabilities	**197,624**	149,647	+ 32.1
Long-term indebtedness	**487,314**	388,711	+ 25.4
Minority interest	**6,022**	3,511	+ 71.5
Shareholders' equity	**215,364**	198,144	+ 8.7
Total liabilities and shareholders' equity	**906,324**	740,013	+ 22.5

The MDC group of companies

Secure Transactions

- Business-to-business services
- Cards
- Cheques
- Stamps
- Ticketing

Maxxcom Inc.

- Integrated communications
  multi-disciplinary marketing services
- Specialized communications
  individual marketing services

BUILDING MARKET LEADERS

MDC Corporation is an international business services organization providing secure transactions, business-to-business services, and Internet-based services through two distinct divisions: Secure Transactions and Marketing Communications (Maxxcom Inc).

OBJECTIVES AND RESULTS

Strong GROWTH

1999 Objectives

To increase shareholder value by improving fully diluted earnings per share and reducing our debt-to-equity ratio.

To focus on growth markets such as U.S. direct-to-consumer cheques, event ticketing, transaction outsourcing, and card services.

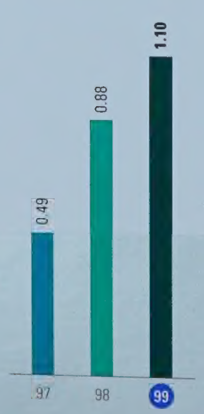
To develop emerging technology opportunities such as Internet businesses and e-commerce through internal investment and acquisitions.

To continue building revenue and profitability in our Marketing Communications division (Maxxcom Inc.) in anticipation of an initial public offering.

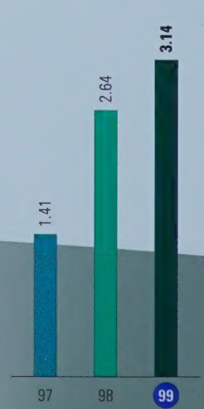
To divest Regal Greetings & Gifts in a way that maximizes shareholder value.

CONTINUING OPERATIONS SHOWED STRONG GROWTH IN SALES, OPERATING INCOME, AND EARNINGS PER SHARE.

FULLY DILUTED EARNINGS PER SHARE
(in dollars)



FULLY DILUTED CASH FLOW PER SHARE
(in dollars)



A year of excellent financial results, 1999 was also a pivotal year for positioning MDC's companies for future growth.

1 9 9 9 Results

Fully diluted earnings per share rose to $1.10 from $.88, an increase of 25%.

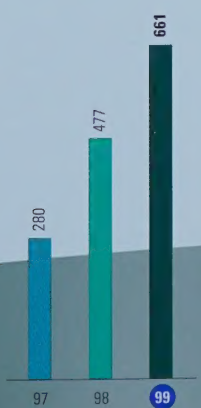
We achieved excellent results in our targeted markets. Metaca's revenues increased by 70%, making it the No. 1 card provider in Canada with a 45% share of the overall market. Optus increased its revenues by over 40%. Our ticketing business increased its revenues by 16%. In our U.S. direct-to-consumer cheque business, we maintained our strong No. 2 position in a market that is growing at 15% per year.

A key reason for our substantive revenue growth was our investment in emerging technology opportunities. Metaca positioned itself as the premier smart card company in Canada. Custom Direct developed its e-commerce sites for direct-to-consumer cheques. Maxxcom's revenues from interactive marketing services more than doubled in 1999 versus 1998.

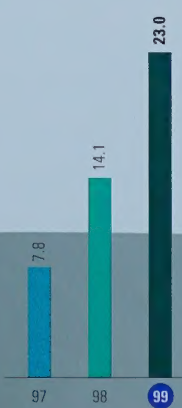
Maxxcom's revenues more than doubled from $102 million to $215 million. Its operating income rose by 107% from $14 million to $29 million. Maxxcom achieved organic growth of 51% and completed seven strategic acquisitions. In addition, Maxxcom recruited a talented management team in preparation for an IPO in early 2000.

Regal had its best year ever with higher revenues and a profitable bottom line. As stated, MDC intends to divest itself of Regal. We anticipate shareholder value will be further increased as a result of Regal's promising new emphasis on Internet sales which should continue to drive growth through 2000.

SALES
(in millions of dollars)



INCOME
(in millions of dollars)



2 0 0 0 Objectives

Increase shareholder value by building companies that are recognized by the financial markets for their inherent net-asset value.

Maintain the profitability and longevity of our traditional bricks-and-mortar businesses so they continue to serve as the foundation of our growth strategy.

Build the critical mass of our emerging e-commerce and business-to-business services companies.

Complete Maxxcom's IPO in the first quarter of 2000 to leverage its market value and ensure the company is well funded for future growth.

Drive earnings and growth in anticipation of a divestiture that realizes Regal's market value.

Report to SHAREHOLDERS

1999 was another exceptional year. Revenues were up by $185 million to $661 million, a 39% increase over 1998. Net income improved by 63% from $14 million to $23 million. Fully diluted earnings per share were up by 25% to $1.10 from $0.88 the year before.

Of equal importance, we positioned our operating units to capitalize on the dramatic changes caused largely by the e-business economy. Our strategy is to identify where value can be created, then turn our companies in that direction. In all our businesses, we have been very successful in aggressively leveraging our customer relationships and applying management talent to win new contracts, as well as in acquiring and integrating new businesses that strengthen our market position.

Historically, the market has defined us primarily by our traditional cash-generating "bricks-and-mortar" businesses such as cheques and stamps. We believe our emerging high-growth businesses – marketing communications, interactive marketing services, e-business, and outsourcing services – are not receiving sufficient credit for their underlying value for our shareholders.

As we look to 2000 and beyond, our strategy is to deliver that value by building our high-growth businesses to a point where they can stand alone in the marketplace.

Maxxcom, our marketing communications company, is a case in point. In 1998 we stated our objective to build the business to critical mass in order to crystallize its value for shareholders through an initial public offering. We recruited an excellent management team to lead Maxxcom as an independent entity. We also doubled Maxxcom's revenues from $102 million to $215 million. Its operating income rose by 107% from $14 million to $29 million. Approximately 50% of this division's 1999 revenues were generated in the U.S., up from zero only two years ago. Maxxcom grew a remarkable 51% organically, in part due to the development of interactive marketing capabilities within a number of its companies.

With all this in place, Maxxcom commenced its initial public offering (IPO) in March 2000. The IPO was successful in releasing the inherent value MDC had created by building Maxxcom.

The next emerging opportunity in our portfolio is CyberSight, a leading North American interactive services provider serving "Fortune 500" class companies. In 1999, revenues more than doubled from US$2.5 million to almost US$6 million. With expertise in integrating the

Miles S. Nadal

CHAIRMAN, PRESIDENT
& CHIEF EXECUTIVE OFFICER

strategic, design, and technical aspects of Internet marketing, its services are in high demand. Already in 2000, the company has signed large contracts with a number of international blue chip corporations. We see an opportunity to enable even faster growth and, in the first quarter of 2000, we raised close to $14 million in private capital within CyberSight to take the first steps in that direction.

Steve Marshall
EXECUTIVE VICE-PRESIDENT, CORPORATE DEVELOPMENT

Walter Campbell
SENIOR VICE-PRESIDENT, FINANCE

Peter Lewis
EXECUTIVE VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER

Janice Wadge
SENIOR VICE-PRESIDENT, CORPORATE PLANNING AND COMMUNICATIONS

In our Secure Transactions division, our emerging business services companies – Optus and Metaca – experienced revenue growth rates in excess of 40%, resulting in overall revenue growth of 17% for the division for the year.

With major new contracts in the financial and telecom sectors, Metaca now supplies over 60% of the Canadian card market for financial institutions and 45% of cards issued in Canada. MDC is now exceptionally well positioned to benefit from the market transition to smart cards, which the industry believes will occur over the next three to five years.

Optus continues to solidify its position as a leader in technology-driven customer relationship management outsourcing services. Optus recently completed two strategic acquisitions – Corelan Communications and Bassett Direct. These companies enhance Optus's capability to deliver integrated multi-channel marketing services to its clients – from print and mail to the Web.

Custom Direct, our U.S. cheque operation, is the second-largest direct-to-consumer cheque business in the U.S., with a database of over 15 million customers. In 1999, Custom Direct continued to expand its Internet site capabilities.

In our Secure Transactions division we have an unrivalled opportunity to offer outsourced e-services and other business outsourcing innovations to our major clients, across a variety of major industries such as financial institutions and government postal authorities.

During 1999 our operating margins in the division increased by 20% despite a considerable degree of investment in technology. This is a significant accomplishment and a direct result of achieving the efficiencies we anticipated with past acquisitions.

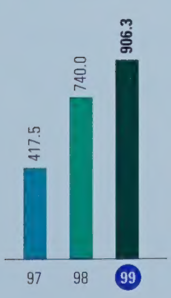
Our discontinued operation, Regal Greetings & Gifts, had another year of record results in 1999, with revenues of $77 million and improved operating margins and income. Regal fortified its direct sales force, revitalized its merchandise, and launched its promising e-tailing Web site. We believe the value of this Web strategy, coupled with Regal's increased profitability, will continue to improve its overall value to shareholders through the year 2000. Because Regal is a seasonal business and is not a strategic fit with MDC's other lines of business, we remain committed to divesting Regal. Our intent is to use any proceeds received from Regal's divestiture to pay down MDC's bank debt, as we have done with the proceeds from Maxxcom's IPO.

The year 2000 marks MDC's twentieth year as a corporation. It is a pivotal year in our history. During 1999, we positioned ourselves for the new economy and the new realities of our markets. As we go forward, we are well equipped to extract the maximum value in each of our businesses for the benefit of our shareholders. Our opportunities are excellent. Our ability to make them happen has never been greater.

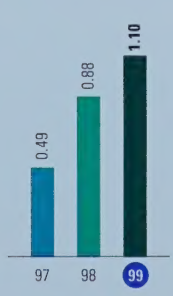
Miles S. Nadal

Miles S. Nadal
CHAIRMAN, PRESIDENT & CHIEF EXECUTIVE OFFICER

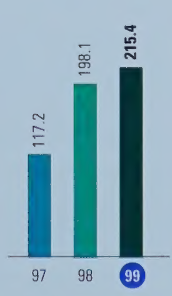
ASSETS
(in millions of dollars)



FULLY DILUTED EARNINGS PER SHARE
(in dollars)



SHAREHOLDERS' EQUITY
(in millions of dollars)



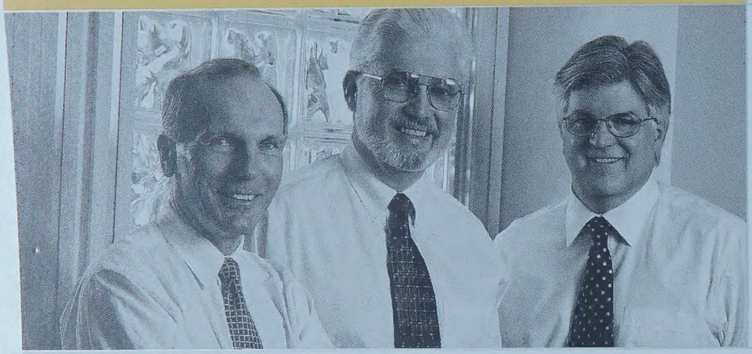
The foundation for MDC's future growth is our Secure Transactions division – stable, profitable, market-leading companies with long-term customer contracts, consistent cash flows, strong management, and predictable growth. These businesses are supporting our evolution into emerging "clicks" businesses.

Secure Transactions

Sanford McFarlane
CHAIRMAN & CEO,
DAVIS + HENDERSON

John Browning
PRESIDENT & COO,
CUSTOM DIRECT

Bill Kerson
PRESIDENT & COO,
MDC STAMP & TICKET GROUP



BUILDING solid businesses

The core businesses of the Secure Transactions division are comprised of payment products and security printing. With solid customer relationships, superior technology, and the ability to produce high-quality products at a low cost, these businesses have strong market shares and reliable cash flows.

Custom Direct, our U.S. direct-to-consumer cheque operation, has the number 2 share position in a market that is growing at 15% annually. In addition, Custom Direct's customer database of more than 15 million names is a powerful tool for direct marketing of additional products and services. In 1999 Custom Direct expanded its marketing efforts from its core focus in newspaper advertising to include an aggressive Internet marketing program. Within the year its Web site had grown to more than 400,000 unique visits per month and continues to grow rapidly. Already customer response rates are tracking higher than the average Internet rate for ordering merchandise, and the average order value on Internet sales is approximately 150% of our conventional mail-in sales. In 2000 Custom Direct will launch a media campaign to build further awareness and drive direct orders through its primary Internet site, "4checks.com," one of the largest selection of personal computer and business cheques available on the Internet, with more than 300 unique designs.

Davis + Henderson, MDC's Canadian cheque business, serves every major financial institution in Canada and has long-term contracts in place with each of its major customers. A reliable source of cash flow for MDC, Davis + Henderson increased revenues and

CUSTOM DIRECT'S INTERNET SITE, 4CHECKS.COM, FEATURES ONE OF THE LARGEST SELECTION OF PERSONAL CHEQUES ON THE INTERNET.

MDC HAS DEVELOPED STRONG RELATIONSHIPS WITH INTERNATIONAL POSTAL AUTHORITIES BY PRODUCING STAMPS OF EXCEPTIONAL QUALITY.

DAVIS + HENDERSON'S CALL CENTRE EXPERTISE IS AN EXCELLENT PLATFORM TO SUPPORT GROWTH IN BANK-RELATED SERVICES.

MDC'S SECURE TRANSACTIONS BUSINESSES HAVE EARNED LEADING SHARES IN THEIR MARKETS BY BUILDING SOLID CUSTOMER RELATIONSHIPS BASED ON SUPERIOR SERVICE AND TECHNOLOGIES.

profitability as a result of expanded product offerings in the small business market and the successful integration of a major acquisition made in 1998. Davis + Henderson's database competencies, fulfillment capabilities, and call centre expertise provide an excellent platform to support future growth in bank-related services. The company is already a conduit for Web-based cheque orders for Canada's financial institutions and sees that part of the business expanding rapidly.

MDC is the world's leading manufacturer of postage stamps with operations in Canada, the U.S., and the U.K., and long-standing relationships with the major postal authorities in those markets. Today the MDC Stamp Group is focused on building a single brand with a consistent global presence in the 60 countries we serve. During 1999, we were recognized as one of the United States Postal Service's Quality Suppliers of the Year, received the prestigious Rowland Hill Award for innovation in stamp printing from the Royal Mail, and were honoured for the fourth straight year with Canada Post's Award of Achievement. Over the year the stamp group worked closely with Canada Post to introduce a broader range of self adhesive stamp products to the Canadian market, and is now working with its customers on promising new applications for the stamp market.

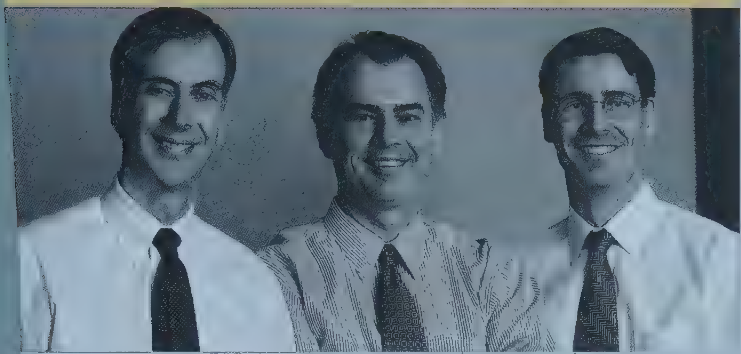
Mercury Graphics, our ticketing business, continued to achieve excellent results in 1999, maintaining a strong No. 2 position in North America, and increasing its sales by 16% over 1998. The company has solid ongoing relationships with professional sports teams, entertainment companies, transit companies, and airlines, including British Airways, Air Canada, Northwest Airlines, the Toronto Transit Commission, the Los Angeles Dodgers, the Toronto Maple Leafs, and Ticketmaster Canada. Late in 1999, based on Mercury's performance over the past year, Mercury earned over 50% of the contract for the manufacture of automated ticket documents for Airlines Reporting Corporation (ARC), the organization that supplies travel agency issued documents for the United States, Puerto Rico and the U.S. Virgin Islands. The value of the contract over the next two years is estimated to be more than $14 million.

Two years ago, as e-business began to emerge, MDC recognized the valuable opportunities inherent in our relationships with major customers. Based on that potential, we launched two enterprises that are the foundation of our e-business strategy: Optus Corporation, our business and technology services company, and Metaca Corporation, a provider of card management programs.

Robert Cronin
PRESIDENT & COO,
MDC EMERGING BUSINESSES

Greg McKenzie
PRESIDENT & COO,
METACA CORPORATION

Jon Hantho
PRESIDENT & COO,
OPTUS CORPORATION

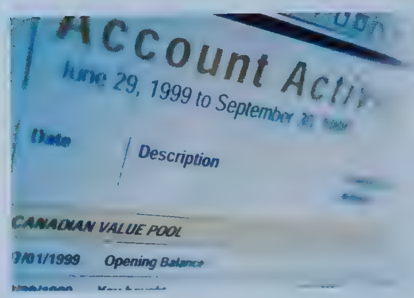


From BRICKS to CLICKS

Metaca has grown to be the No. 1 card provider in Canada, with 45% share of the overall card market, including 90% of all telecom cards, 60% of all cards issued by financial institutions, and 50% of the loyalty card market. Revenues in 1999 were up more than 70% from the year before. Metaca added a number of major accounts during the year, including Loyalty Management Group (Air Miles), National Bank of Canada, and Bank of America. It also won the innovative iTravel Ontario program with Bell Canada, a multi-application chip-card loyalty program. The company continues to develop smart card applications. Its strength is in bringing together the chip architecture, the operating system, and "smart applications" for consumer programs. Working with customers, Metaca is currently developing a number of pioneering applications in areas such as bank cards, identification, and remote-access security. At Placard, Metaca's Australian operation, leading industry players such as KPMG and Authentic8 are working with Placard to provide e-business companies with solutions for highly secure authenticated transactions through the use of digital certificates delivered via smart cards.

Optus' mandate is to help its customers maximize the lifetime value of their customer relationships through integrated Web and paper based communications. Optus offers a suite of services designed to assist business-to-consumer clients operating in data-rich environments, characterized by a high frequency of customer transactions and a high need for security. Key

OPTUS AND METACA, OUR TWO EMERGING E-BUSINESSES, ACHIEVED SIGNIFICANT REVENUE GROWTH DURING 1999. IN ADDITION, METACA EARNED THE NO. 1 MARKET SHARE IN THE CANADIAN CARD BUSINESS AND OPTUS IS NOW CANADA'S SECOND LARGEST PROVIDER OF MUTUAL FUND STATEMENTS.



industries served by Optus include financial services, wealth management, insurance, telecommunications, and retail. Optus offers clients a complete integrated solution that includes data analysis, information strategy and design, print and e-business presentation and delivery, and items processing services.

With acquisitions completed in early 2000, Optus' revenues have increased by 300% on an annualized basis since December 1998. In January 2000 Optus acquired Corelan Communications, an application and Internet service provider that develops secure Web-based transaction-processing systems and hosts large-scale mission-critical applications – all essential to the evolving world of e-business. In the same month Optus acquired Bassett Direct, a leading Canadian direct marketing services provider. These acquisitions enable Optus to offer integrated on-line and printed direct marketing services to agencies and customers migrating to e-business. Optus is also well positioned to be a pre-eminent Canadian provider of cutting-edge Internet billing solutions, as customers transition from print to on-line billing.

With an existing customer base among Canada's major financial organizations, MDC expects to rapidly become a leading player in customer relationship management and outsourcing services.

From BRICKS to CLICKS

Optus Corporation

Optus helps its customers maximize the lifetime value of their customer relationships and assists their migration from print to electronic communications.

Metaca Corporation

The No. 1 card company in Canada, Metaca is positioned to be the country's premier smart card provider, able to bring together the chip architecture, the operating system, and "smart applications" for consumer programs.

BUILDING MARKET LEADERS

As loyalty and customer retention become critical to the strategic growth plans of leading consumer companies, Optus and Metaca are well positioned to provide total e-business solutions.

MDC crossed a major threshold with the initial public offering of Maxxcom in March 2000. This marked the successful culmination of a strategy initiated in 1998 to crystallize the underlying value of this division.

Maxxcom Inc.

Rodney Davis
VICE-PRESIDENT, CORPORATE DEVELOPMENT

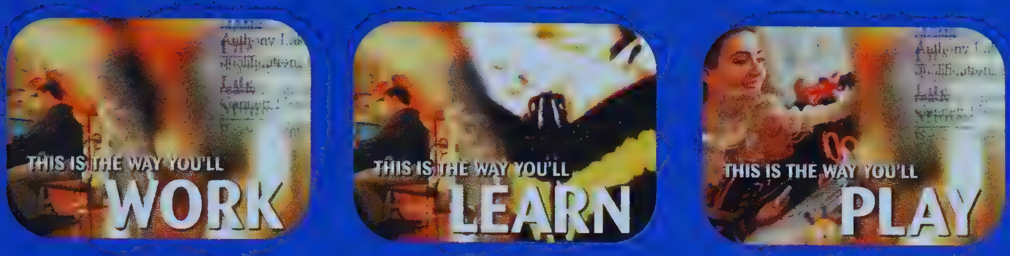
Beverley Morden
PRESIDENT AND CEO

RELEASING shareholder value

In 1999, Maxxcom more than doubled in size over 1998 through a combination of organic growth and acquisitions. Revenues grew 111% to $215 million from $102 million in 1998 with a corresponding increase in operating income. Of that, $61 million was generated through acquisitions and $52 million was the result of organic growth. A portion of this growth was attributable to expansion in interactive services, where many existing clients together with notable dotcom organizations addressed the opportunities of e-business. Maxxcom's geographic distribution now firmly positions the company as a North American industry player.

Maxxcom's achievements during 1999 were remarkable. Maxxcom acquired seven companies during the year. By analyzing marketing communications industry trends, Maxxcom invested in the highest growth segments of the industry – integrated communications, interactive marketing, direct and database marketing, and sales promotion.

Also in 1999, Beverley Morden, president and CEO of Maxxcom Inc., built an aggressive management team highly experienced in finance, mergers and acquisitions, and corporate development, and recruited an independent board of directors, to lead Maxxcom's transition to a stand-alone entity.



BUILDING MARKET LEADERS

Maxxcom is the largest full-service marketing communications organization based in Canada, providing a comprehensive range of services to clients in Canada and the United States.

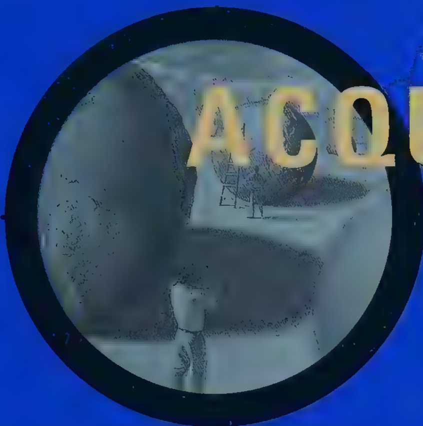
What distinguishes Maxxcom from its competitors in the marketing communications industry is Perpetual Partnership™. Maxxcom acquires between 51% and 80% of highly successful companies led by entrepreneurs who are committed to continuing to grow their businesses. Maxxcom then provides the resources – business and strategic planning services, human resource management, merger and acquisition advisory services, and capital – that these companies need to accelerate their growth rate.

Maxxcom's longer-term value lies in its track record as a high-growth organization in a US$400-billion industry which is growing at a compound rate of about 7% per year. Maxxcom's plan is to be a $400-million marketing communications company by 2002 through the expansion of its two divisions: Integrated Communications and Specialized Communications. Integrated Communications firms offer a full range of marketing communications disciplines to ensure consistency in brand message. Specialized firms excel at a particular discipline such as sales promotion, direct marketing, or corporate communications.

Maxxcom's IPO is the first in a series of planned strategies for increasing shareholder value. Our preeminent goal at MDC is to achieve this kind of improved valuation by properly building and positioning our companies to excel in their markets, then crystallizing their inherent value to the benefit of shareholders. The IPO raised approximately $60 million in capital, which MDC used to pay down corporate debt. Maxxcom's shares began trading on The Toronto Stock Exchange on March 23, 2000 under the symbol MXX.

One partner company in particular, CyberSight, has been identified as a potential opportunity for a future IPO. CyberSight, a leading North American interactive services firm, has experienced tremendous growth, more than doubling its revenues in 1999 from US$2.5 million to US$6 million. CyberSight's growth continues to mount rapidly in 2000 through recently signed contracts with new clients, and as existing clients evolve their e-business plans. It is our belief the company has the potential to become a stand-alone business. To stimulate that potential, MDC raised almost $14 million in private capital within CyberSight in early 2000 to fund expanded service offerings and broaden its presence in key centres across North America. MDC now directly owns about 48% of CyberSight; Maxxcom owns 19.9%; while the balance is owned by CyberSight management and the private placement investors.

1999 ACQUISITIONS



JANUARY 1, 1999
Acquired **Cameron Interactive** and integrated the firm with Toronto-based Bryan Mills Group, a Maxxcom partner specializing in corporate communications.

JANUARY 1, 1999
Through Cormark Communications Inc., an existing partner in our specialized communications business, we acquired a majority stake in the Toronto-based advertising firm of **Campbell & Partners.**

APRIL 1, 1999
Acquired a majority stake in **Colle & McVoy Inc.,** a Minnesota-based integrated marketing communications firm.

AUGUST 31, 1999
Through Colle & McVoy Inc., we acquired **Sable Advertising Systems Inc.,** a co-op advertising company.

OCTOBER 1, 1999
Acquired a majority stake in Allard & Associés Inc. and merged the firm with LBJ•FRB Communications Inc. to create **Allard Johnson Communications Inc.,** one of the top integrated marketing firms in Canada.

NOVEMBER 1, 1999
Acquired a majority stake in **Accent Marketing Services LLC,** a Louisville-based direct marketing firm.

NOVEMBER 30, 1999
Acquired a majority stake in **Fletcher Martin Associates LLC,** an Atlanta-based integrated communications firm.

SUPPORTING ENTREPRENEURIAL GROWTH

Maxxcom's acquisition strategy is focused on entrepreneurial companies in high-growth sectors such as interactive services, sales promotion, and direct marketing.

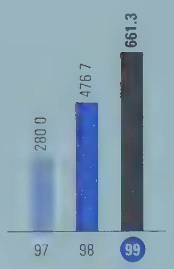
Management's DISCUSSION and ANALYSIS

TABLE OF CONTENTS

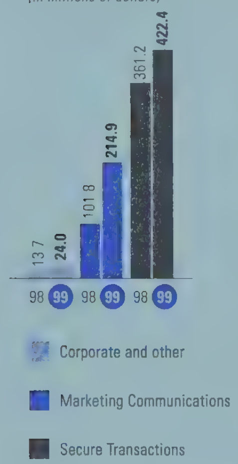
The following table summarizes by division the Company's results of operations for the years ended December 31, 1999 and 1998:

FOR THE YEARS ENDED DECEMBER 31 (IN MILLIONS OF DOLLARS)	1999	1998	Increase (Decrease)	Increase (Decrease)
Sales				
Secure Transactions	**422.4**	361.2	61.2	17%
Marketing Communications	**214.9**	101.8	113.1	111%
Corporate and other	**24.0**	13.7	10.3	75%
	661.3	476.7	184.6	39%
Gross profit				
Secure Transactions	**229.8**	182.6	47.2	26%
Marketing Communications	**126.7**	40.2	86.5	215%
Corporate and other	**13.7**	11.3	2.4	21%
	370.2	234.1	136.1	58%
Operating expenses				
Secure Transactions	**131.0**	112.1	18.9	17%
Marketing Communications	**97.6**	26.1	71.5	274%
Corporate and other	**17.3**	17.3	0.0	0%
	245.9	155.5	90.4	58%
Operating income				
Secure Transactions	**98.8**	70.5	28.3	40%
Marketing Communications	**29.1**	14.1	15.0	106%
Corporate and other	**(3.6)**	(6.0)	2.4	(40%)
	124.3	78.6	45.7	58%
Amortization				
Secure Transactions	**24.1**	16.1	8.0	50%
Marketing Communications	**3.6**	1.7	1.9	112%
Corporate and other	**2.9**	1.6	1.3	81%
	30.6	19.4	11.2	58%
Minority interests				
Secure Transactions	**0.0**	1.4	(1.4)	(100%)
Marketing Communications	**8.6**	4.6	4.0	87%
	8.6	6.0	2.6	43%
Income before interest, income taxes and goodwill charges				
Secure Transactions	**74.7**	53.0	21.7	41%
Marketing Communications	**16.9**	7.8	9.1	117%
Corporate and other	**(6.5)**	(7.6)	1.1	14%
	85.1	53.2	31.9	60%
Interest	**39.6**	23.0	16.6	72%
Earnings before income taxes and goodwill charges	**45.5**	31.2	14.3	46%
Income taxes	**13.5**	9.7	3.8	39%
Income before goodwill charges	**32.0**	20.5	11.5	56%
Goodwill charges (net of taxes)	**9.0**	6.4	2.6	41%
Net income	**23.0**	14.1	8.9	63%

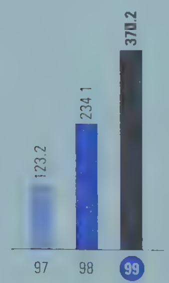
TOTAL SALES
(in millions of dollars)



SALES BY BUSINESS SEGMENT
(in millions of dollars)



GROSS PROFIT
(in millions of dollars)



SALES

Sales in 1999 were $661.3 million, representing an increase of $184.6 or 39% over the $476.7 million in 1998. Year-over-year growth in sales is summarized as follows:

	Increase in sales
Secure Transactions	$ 61.2
Marketing Communications	113.1
Corporate and other	10.3
	$ 184.6

Secure Transactions Division

Sales of the Secure Transactions division totalled $422.4 million in 1999, up $61.2 million or 17% over the $361.2 million in 1998. This growth accounted for 33% of the increase in sales of the Company. The high rate of sales growth resulted in large part from the inclusion of the results of Custom Cheques, Custom Direct Inc., Styles Checks and Artistic Greetings for the full year in 1999, as well as the organic growth at Metaca (formerly MDC Card Services) and Optus. Sales at Davis + Henderson ("D+H") were up 23% or $28.8 million resulting from increased production under continuing cheque printing contracts with Canadian financial institutions. The Company's U.S. direct-to-consumer cheque sales increased by $14.5 million or 13.2% in 1999. Optus and Metaca combined increased sales by $24.9 million, primarily by way of internal growth, while sales in the Stamp and Ticket Group were up marginally.

Marketing Communications Division

Sales of the Marketing Communications division totalled $214.9 million in 1999, up $113.1 million or 111% over the $101.8 million in 1998. The acquisitions of Colle & McVoy, Allard, Fletcher Martin, Margeotes|Fertitta, CyberSight, Source Marketing and Accent Marketing accounted for $60.5 million of the increase in sales, while the remainder of the increase was due to internal growth. While strong growth was evident in all of the sectors in the division, the interactive sector of CyberSight and Margeotes|Fertitta Interactive experienced growth which exceeded our expectations for the year.

GROSS PROFIT

Gross profit was $370.2 million in 1999, representing an increase of $136.1 million or 58% over the gross profit of $234.1 million in 1998. Gross margin increased from 49% in 1998 to 56% in 1999 as a result of improved margins in both the Secure Transactions and Marketing Communications divisions.

Secure Transactions Division

Gross profit was $229.8 million in 1999, up $47.2 million or 26% over the $182.6 million achieved in 1998. This increase is directly attributable to the growth in sales of the division. Gross margin for the division was 54%, up 3% from the 51% gross margin achieved in 1998. The increase in gross margin is primarily a result of production efficiencies, integration of new operations into existing facilities and cost reduction initiatives.

Marketing Communications Division

Gross profit was $126.7 million, representing an increase of $86.5 million or 215% from the $40.2 million in 1998. This increase is primarily related to the increase and mix in sales of the division, resulting in gross margins improving from 39% in 1998 to 59% in 1999.

OPERATING EXPENSES

Operating expenses totalled $245.9 million in 1999, representing an increase of $90.4 million over the $155.5 million in 1998. This increase is directly attributable to the growth in the Company's sales both internally and through acquisitions as well as the increased costs to build infrastructure in the Marketing Communications division. Operating expenses increased from 33% of sales in 1998 to 37% of sales in 1999.

Secure Transactions Division

Operating expenses totalled $131.0 million in 1999, up $18.9 million or 17% over the $112.1 million in 1998. This increase was in large part attributable to the acquisitions made in 1998. Operating expenses as a percentage of sales remain unchanged at 31%.

Marketing Communications Division

Operating expenses totalled $97.6 million in 1999, reflecting an increase of $71.5 million or 274% from the $26.1 million in 1998. Operating expenses increased to 45% of sales in 1999 from 26% of sales in 1998, as a result of the change in sales mix from 1998 to 1999 and the increased infrastructure at the divisional Head Office.

OPERATING INCOME

Operating income was $124.3 million in 1999, reflecting an increase of $45.7 million or 58% over the $78.6 million achieved in 1998. This increase can be attributed to increases in the operating income in both of the Company's divisions: $28.3 million from the Secure Transactions division and $15.0 million from the Marketing Communications division. These increases are in addition to a $2.4 million increase in corporate and other operating income in 1999. Operating income increased from 17% of sales in 1998 to 19% of sales in 1999, primarily due to improved gross margins resulting from the integration of 1998 acquisitions.

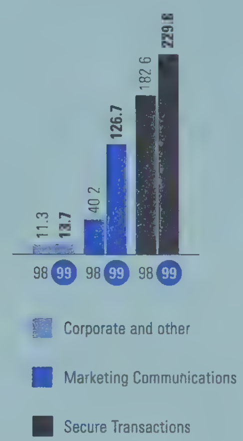
Secure Transactions Division

Operating income was $98.8 million in 1999, up $28.3 million or 40% over the $70.5 million in 1998. This increase is attributable to the inclusion of operating income relating to 1998 acquisitions and the resulting savings from integrating the operations. Operating income increased from 20% of sales in 1998 to 23% of sales in 1999.

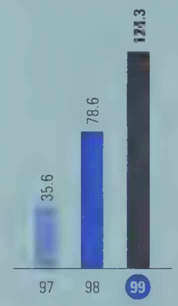
Marketing Communications Division

Operating income was $29.1 million in 1999, $15.0 million higher than the $14.1 million achieved in 1998. The $15.0 million growth resulted from $12.0 million of acquisition growth and $3.0 million of internal growth, resulting in a healthy internal growth rate of 21%. Operating income margins remained steady at 14% of sales in both 1998 and 1999.

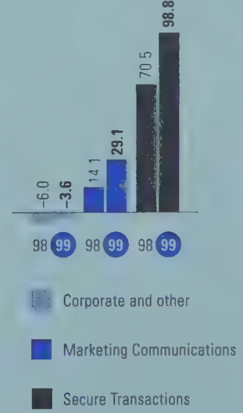
GROSS PROFIT BY BUSINESS SEGMENT
(in millions of dollars)



OPERATING INCOME
(in millions of dollars)



OPERATING INCOME BY BUSINESS SEGMENT
(in millions of dollars)



AMORTIZATION

Amortization was $30.6 million in 1999, up $11.2 million over the amortization of $19.4 million in 1998. This increase was primarily attributable to the increased asset base in both the Secure Transactions and Marketing Communications divisions as a result of acquisitions made in 1998 and 1999.

Secure Transactions Division

Amortization was $24.1 million in 1999, up $8.0 million or 50% over the $16.1 million of amortization in 1998. Davis + Henderson's and the U.S. direct-to-consumer cheque operation's increased asset base, the result of acquisitions in 1998, accounted for most of the increase in 1999.

Marketing Communications Division

Amortization was $3.6 million in 1999, representing an increase of $1.9 million or 112% over the $1.7 million in 1998. The increase was primarily the result of acquisitions. Amortization as a percentage of sales remained constant at 2%.

MINORITY INTERESTS

Minority Interests were $8.6 million in 1999, $2.6 million or 43% higher than the $6.0 million in 1998. The growth resulted from the increased performance of the Marketing Communications division, partially offset by the purchase of the remaining minority shareholders' interests in our U.S. cheque operations.

INCOME, BEFORE INTEREST, INCOME TAXES AND GOODWILL CHARGES

Income before interest, income taxes and goodwill charges were $85.1 million in 1999, $31.9 million or 60% higher than the $53.2 million in 1998. This increase resulted from growth of $21.7 million from the Secure Transactions division and $9.1 million from the Marketing Communications division.

INTEREST EXPENSE

Interest expense was $39.6 million in 1999, up $16.6 million or 72% over the $23.0 million in 1998. This increase primarily related to additional long-term indebtedness incurred as a result of the Company's late 1998 and 1999 acquisitions.

INCOME TAX EXPENSE

Income tax expense was $13.5 million in 1999, compared with $9.7 million in 1998. This increase is directly attributable to the Company's increased earnings in 1999. Income taxes decreased from 31% of Earnings before income taxes and goodwill amortization in 1998 to 30% in 1999. The Company continued to utilize the benefits of previously unrecorded tax losses to reduce its tax provision below statutory rates.

GOODWILL CHARGES (NET OF TAXES)

Goodwill charges in 1999 were $9.0 million versus $6.4 million in 1998. The increase of $2.6 million, or 41%, was as a result of the acquisitions made late in 1998 and during 1999.

NET INCOME FOR THE YEAR

Net income in 1999 was $23.0 million, up $8.9 million or 63% over the $14.1 million earned in 1998. Net income increased from 3.0% of sales in 1998 to 3.5% of sales in 1999.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

Working capital was $59.0 million at the end of 1999, reflecting an increase of $14.2 million or 32% over the $44.8 million in working capital at the end of 1998.

In 1999, the Company increased its available line of credit from US$150 million to US$280 million (CDN$404 million). The Company has utilized approximately CDN$170 million of this facility in the form of cash and letters of credit at December 31, 1999. As at December 31,1999, the Company had approximately CDN$240 million in unrestricted cash and available bank credit facilities to support the Company's future cash requirements.

Long-term Indebtedness

Long-term indebtedness (including long-term indebtedness and current portion of long-term indebtedness) was $500.1 million at December 31, 1999, representing a net increase of $105.7 million over the $394.4 million in long-term indebtedness at December 31, 1998.

The following matrix summarizes the Company's exposure to interest and exchange rate risks at December 31, 1999:

Interest	CDN$	US$	UK£	AUS$
Fixed	18,002,000	206,700,000	3,100,000	3,400,000
Floating	25,313,000	102,600,000	0	0

Long-term Indebtedness to Shareholders' Equity

With $215.4 million of shareholders' equity and $500.1 million of long-term indebtedness, the Company's long-term indebtedness to shareholders' equity ratio increased in 1999, from 1.99 to 1 at December 31, 1998 to 2.32 to 1 at December 31, 1999. The increase was primarily the result of financing acquisitions in 1999.

Repayment of Long-term Indebtedness

Approximately $172.4 million of long-term indebtedness is due within the next five years while the majority is due December 1, 2006. Management anticipates that this indebtedness will be repaid from cash flow from operations.

Cash Flow from Operations

Cash flow from operations, before changes in non-cash working capital, was $69.7 million in 1999, representing an increase of $24.6 million or 55% over the $45.1 million generated in 1998. The funds were used primarily to help fund the Company's capital expenditure programs.

RISKS AND UNCERTAINTIES

Customer Concentration

Secure Transactions Division

In 1999, the Secure Transactions division contributed approximately 64% of the Company's consolidated sales. The division currently derives a significant portion of its revenue from its cheque and postage stamp printing businesses, both of which have a highly concentrated customer base.

A significant portion of the division's cheque printing revenue is derived from its sales to financial institutions pursuant to agreements. Since cheques in Canada are sold through financial institutions and there is currently no direct-to-consumer cheque market as in the United States, the loss of, or material reduction of volume under, these contracts would have a material adverse effect on the results of the division. Although the Company believes that these contracts will continue to operate throughout their entire term and will be extended in the ordinary course of business, there can be no assurance that extensions will be exercised or that the contracts will be renewed at their scheduled expiration.

The postage stamp business derives a significant portion of its revenues from government contracts. Contracts are generally awarded in a competitive bidding process. The loss of these contracts could have an adverse effect on the sales and earnings of the division. Although there can be no guarantees that the contracts will be retained upon their expiration, management's belief is that the division will successfully retain these contracts.

Marketing Communications Division

Management's ongoing strategy to acquire ownership stakes in well-managed businesses has allowed the division to grow by 111.0% in revenues. The resulting diversity has allowed the division to minimize the effects that might arise from the loss of any one client or manager.

Management succession is very important to the ongoing results of the division. Management has focused on mitigating the risks with respect to these successions, as well as the promotion of various growth initiatives.

Competition

Each of the Company's divisions operates in a highly competitive environment.

The Company's Secure Transactions division competes primarily on the basis of quality, customer service, design capability and price. A number of the Company's competitors have greater resources than those available to the Company which may enable them to aggressively pursue the business of the Secure Transactions division.

The Company's Marketing Communications division competes in an industry characterized by numerous firms of varying sizes, with no single firm or group of firms having a dominant position in the marketplace. Competitive factors include creative reputation, management, personal relationships, quality and reliability of service and expertise in particular niche areas of the marketplace. Although the price of services may be a competitive factor in obtaining new clients, it is generally of lesser importance once a client relationship has been established.

Currency Fluctuations

Although the Company's financial results are reported in Canadian dollars, a significant portion of its sales and operating costs are denominated in U.S. dollars. Furthermore, an increasing portion of the Company's sales and operating costs are expected to be in U.S. currency. Regal purchases the majority of its merchandise from third parties in foreign currencies, primarily U.S. and Hong Kong dollars. As a result, fluctuations in the exchange rate between the Canadian dollar and other currencies, particularly the U.S. dollar, may affect the Company's financial results and the Company's competitive position. The Company generally manages its exposure to foreign currency risk by matching its debt charges with cash flows of a common currency, and where appropriate, may hedge currency risks through foreign exchange contracts and currency swap agreements. There can be no assurance that such measures will be successful; however, management will attempt to mitigate these risks to the fullest extent available.

Alternative Forms of Payment

Cheque usage in Canada has declined in the past several years. Consumers and businesses in the North American marketplace have recently been introduced to various electronic and other forms of payment. The Company cannot conclusively determine what effect these alternate forms of payment may have on future average cheque usage by consumers or businesses. There can be no assurance that such factors will not have a material adverse effect on the future volumes of cheques produced by the Company or its revenues.

Discontinued Operations (Regal Greetings & Gifts)

The Company has announced a plan to divest its Regal operations. The Company does retain the responsibility to realize assets and discharge liabilities in the normal course of business for this operation until the ultimate divestiture process has been completed. Consequently, the following risks and uncertainties continue to be applicable to the Company.

Postal Interruption

The operation's mail order catalogue sales are somewhat dependent on continued availability of uninterrupted postal delivery service for outgoing catalogue distribution, incoming mail orders, related parcel shipments and customer communications. Partially in response to the history in Canada of postal interruptions and threats of interruption, Regal has developed alternate means of receiving incoming orders and shipping parcels, including the use of toll-free order telephone lines, fax orders and independent courier services. Regal's reliance on postal delivery service has been further reduced as a result of its ability to deliver merchandise to catalogue customers through its service centres. On an annual basis, approximately 71% of Regal's merchandise is delivered using means other than postal delivery service. However, a prolonged interruption in Canada's postal service as experienced in the fourth quarter of 1997 would have a material adverse impact on Regal's results.

Foreign Suppliers

Approximately 70% of Regal's merchandise offered through its core catalogues is purchased from foreign independent trading agents selling products for manufacturers located in Asian countries. Therefore, Regal is exposed to the customary risks of doing business abroad, including fluctuations in the value of currencies, import duties, quotas, work stoppages, and political instability. To date, these factors have not had a material adverse effect on Regal's operations.

Seasonality

Significant portions of the sales for Regal are usually earned in the peak selling period leading to Christmas. A major postal interruption or supplier disruption affecting this selling period potentially could have an adverse impact on the division's results.

YEAR 2000 COMPLIANCE

The advent of the Year 2000 might have caused difficulties for date sensitive systems to accurately process and retain information on an ongoing basis. Given this potential problem, the Company appointed a task force and established a rigid methodology to ensure Year 2000 compliance. The task force was comprised of a member of the Board of Directors, and senior head office personnel.

To date, the Company has experienced no adverse results due to the Year 2000 compliance issue.

OUTLOOK

MDC is clearly showing positive results and focus with respect to the implementation of the strategic plan to focus on core businesses while building on its e-commerce initiatives. The current year's results have provided record growth in sales, operating income, net earnings and cash flow.

The Secure Transactions division is anticipated to continue its growth through gains in market share of existing products and from strategic acquisitions. The successful integration of recent acquisitions has provided the Company with a strong base of earnings and cash flow with which to capitalize on further opportunities being created in the e-commerce area, especially in the Optus and Metaca business units.

The Marketing Communications division is expected to continue to grow its sales and operating profits both by internal growth and through strategic acquisitions. The Company has crystallized a portion of the value of the division by way of an Initial Public Offering in early 2000 and expects further returns as the Company continues to grow.

During 2000, the Company will continue to seek and evaluate acquisition opportunities. We will continue to maintain strict adherence to our fundamental acquisition criteria of niche companies or market leaders with good management, stable sales and earnings streams, low capital expenditure requirements and strong growth prospects with a particular focus on e-commerce businesses.

With a strong capital base, the Company will continue to build the critical mass of its emerging e-commerce businesses and anticipates continued growth in shareholder value in 2000 and beyond.

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the preparation and presentation of these financial statements and all the financial information contained within this annual report within reasonable limits of materiality. The financial statements have been prepared in accordance with generally accepted accounting principles in Canada. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements. The financial information throughout the text of this annual report is consistent with that in the financial statements.

To assist management in discharging these responsibilities, the Company maintains a system of internal control which is designed to provide reasonable assurance that its assets are safeguarded, that transactions are executed in accordance with management's authorization and that the financial records form a reliable base for the preparation of accurate and timely financial information.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws, and for the maintenance of proper standards of conduct in its activities.

BDO Dunwoody LLP, Chartered Accountants, are appointed by the shareholders and have audited the consolidated financial statements in accordance with generally accepted auditing standards. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Company.

Annually, the Board of Directors appoints an Audit Committee composed of at least three directors who are not members of management. The Audit Committee meets periodically with management and the auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. It is responsible for reviewing the annual and interim consolidated financial statements and the report of the auditors. The Audit Committee reports the results of such review to the Board and makes recommendations with respect to the appointment of the Company's auditors. In addition, the Board may refer to the Audit Committee on other matters and questions relating to the financial position of the Company and its affiliates.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and for approving the consolidated financial statements for presentation to shareholders.

Miles S. Nadal

Miles S. Nadal
CHAIRMAN, PRESIDENT
& CHIEF EXECUTIVE OFFICER
FEBRUARY 22, 2000

Peter M. Lewis
EXECUTIVE VICE-PRESIDENT &
CHIEF FINANCIAL OFFICER

TO THE SHAREHOLDERS OF MDC CORPORATION INC.

(FORMERLY MDC COMMUNICATIONS CORPORATION)

We have audited the consolidated balance sheets of MDC Corporation Inc. as at December 31, 1999, 1998 and 1997 and the consolidated statements of retained earnings, operations and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999, 1998 and 1997 and the results of its operations and its cash flows for each of the years then ended in accordance with generally accepted accounting principles in Canada.

BDO Dunwoody LLP

CHARTERED ACCOUNTANTS
TORONTO, ONTARIO
FEBRUARY 22, 2000

CONSOLIDATED BALANCE SHEETS

FOR THE YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)	**1999**	1998	1997
ASSETS			
Current			
Cash and cash equivalents	**$ 35,308**	$ 20,157	$ 10,793
Accounts receivable *(note 2)*	**136,041**	81,135	62,512
Inventory	**53,504**	52,600	43,332
Prepaid expenses and sundry	**31,761**	40,566	13,961
	256,614	194,458	130,598
Capital and other assets *(note 3)*	**231,014**	167,197	118,463
Goodwill *(note 4)*	**418,696**	378,358	168,448
	$ 906,324	$ 740,013	$ 417,509
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness *(note 5)*	**$ 3,204**	$ 2,650	$ 12,077
Accounts payable and accrued liabilities	**161,895**	130,098	69,910
Deferred revenue	**19,728**	11,180	6,169
Current portion of long-term indebtedness *(note 5)*	**12,797**	5,719	4,512
	197,624	149,647	92,668
Long-term indebtedness *(note 5)*	**487,314**	388,711	205,634
	684,938	538,358	298,302
Minority interest	**6,022**	3,511	2,039
Shareholders' equity			
Share capital *(note 6)*	**153,690**	145,586	84,180
Other paid in capital *(note 7)*	**44,286**	40,909	37,802
Cumulative translation adjustment *(note 8)*	**(11,301)**	4,086	—
Retained earnings (deficit)	**28,689**	7,563	(4,814)
	215,364	198,144	117,168
	$ 906,324	$ 740,013	$ 417,509

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ON BEHALF OF THE BOARD:

Miles S. Nadal

Miles S. Nadal
DIRECTOR

Peter M. Lewis
DIRECTOR

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)	1999	1998 *(note 18)*	1997 *(note 18)*
Sales	**$ 661,281**	$ 476,727	$ 280,020
Cost of sales	**291,113**	242,608	156,823
Gross profit	**370,168**	234,119	123,197
Operating expenses	**245,877**	155,475	87,551
Operating income before other charges	**124,291**	78,644	35,646
Other charges			
Amortization	**30,588**	19,359	11,880
Interest	**39,560**	23,018	6,258
Minority interests *(note 9)*	**8,644**	5,987	2,870
	78,792	48,364	21,008
Income before income taxes and goodwill charges	**45,499**	30,280	14,638
Income taxes *(note 10)*	**13,473**	9,741	3,953
Income before goodwill charges	**32,026**	20,539	10,685
Goodwill charges, net of income tax recovery of $763 (1998 – $258, 1997 – Nil)	**9,019**	6,431	2,904
Income from continuing operations	**23,007**	14,108	7,781
Loss from discontinued operations *(note 11)*	**—**	—	(28,618)
Net income (loss) for the year	**$ 23,007**	$ 14,108	$ (20,837)
Earnings per share *(note 12)*			
Income before goodwill charges			
Basic	**$ 1.70**	$ 1.41	$ 0.74
Fully diluted	**$ 1.49**	$ 1.24	$ 0.69
Continuing operations			
Basic	**$ 1.19**	$ 0.93	$ 0.50
Fully diluted	**$ 1.10**	$ 0.88	$ 0.49
Reported			
Basic	**$ 1.19**	$ 0.93	$ (1.82)
Fully diluted	**$ 1.10**	$ 0.88	$ (1.82)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)	1999	1998	1997
Retained earnings (deficit), beginning of year	**$ 7,563**	$ (4,814)	$ 17,614
Net income (loss) for the year	**23,007**	14,108	(20,837)
	30,570	9,294	(3,223)
Allocation to other paid in capital, net of income tax recovery of $1,496 (1998 – $1,376; 1997 – $1,268)	**(1,881)**	(1,731)	(1,591)
Retained earnings (deficit), end of year	**$ 28,689**	$ 7,563	$ (4,814)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)	1999	(note 18) 1998	(note 18) 1997
Cash provided by (used in)			
Operating activities			
Income from continuing operations	**$ 23,007**	$ 14,108	$ 7,781
Items not involving cash			
Amortization	**40,370**	26,048	14,784
Deferred income taxes	**7,453**	5,256	(1,218)
Other	**(1,095)**	(340)	1,085
	69,735	45,072	22,432
Changes in non-cash working capital	**(4,774)**	(57,148)	(38,467)
Cash flows from (used in) operating activities	**64,961**	(12,076)	(16,035)
Investing activities			
Investments and acquisitions, net	**(74,839)**	(161,846)	(35,681)
Capital assets, net	**(41,268)**	(38,084)	(19,727)
Other assets	**(58,238)**	14,258	(9,546)
Cash flows used in investing activities	**(174,345)**	(185,672)	(64,954)
Financing activities			
Short-term indebtedness	**625**	(9,427)	11,401
Proceeds on issuance of long-term indebtedness	**126,614**	179,250	—
Repayment of long-term indebtedness	**(7,436)**	(9,117)	(6,397)
Net proceeds on issuance of convertible debentures	**—**	—	47,350
Issue of share capital	**6,672**	46,406	(2,509)
Cash flows from financing activities	**126,475**	207,112	49,845
Foreign exchange loss on cash held in foreign currencies	**(1,940)**	—	—
Increase (decrease) in cash and cash equivalents during the year	**15,151**	9,364	(31,144)
Cash and cash equivalents, beginning of year	**20,157**	10,793	41,937
Cash and cash equivalents, end of year	**$ 35,308**	$ 20,157	$ 10,793
Supplemental cash flow information			
Cash paid for interest	**$ 41,878**	$ 28,871	$ 12,014
Cash paid for income taxes	**$ 4,605**	$ 908	$ 989

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DECEMBER 31, 1999, 1998 AND 1997

PRINCIPLES OF CONSOLIDATION

The financial statements include the accounts of the Company and any effectively controlled subsidiary companies and are prepared in conformity with generally accepted accounting principles in Canada. Acquisitions are consolidated from the effective date of acquisition with intercompany transactions and accounts eliminated upon consolidation.

INVESTMENTS

Investments in which the Company does not control or have significant influence are valued at the lower of cost or market.

INVENTORY

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

CUSTOMER ACQUISITION COSTS

The Company capitalizes costs for direct response advertising and expenses the costs over the period of expected future benefit. The expense corresponds to the expected sales cycle of the advertising material based on actual advertising responses.

CAPITAL ASSETS

Capital assets are recorded at cost. Amortization is provided as follows:

Buildings	— 4–5% straight line
Computer, furniture and fixtures	— 20–30% declining balance
Machinery and equipment	— 10–20% declining balance
Leasehold improvements	— Straight line over term of lease

DEFERRED CHARGES

The Company capitalizes direct costs related to development of new products and services until the commencement of commercial operations, at which time all related costs are amortized on a straight-line basis over their estimated useful life.

DEFERRED FINANCE COSTS

Deferred finance costs are amortized over the term of the related indebtedness.

DEFERRED INCOME TAXES

Deferred income taxes result primarily from the difference between amortization recorded in the accounts and capital cost allowance claimed for income tax purposes.

FOREIGN CURRENCY TRANSLATION

With the exception of the Company's foreign subsidiaries, foreign currency assets and liabilities carried at current prices are translated into Canadian dollars using the rate of exchange in effect at the year end; other foreign currency assets and liabilities are translated using the rates of exchange in effect at the dates of the transaction; long-term monetary assets and liabilities with a fixed term which have been hedged are translated using the rate per the hedge agreements; revenue and expense items are translated at the average monthly rate of exchange for the year, except for amortization of capital and other assets which is translated at the historical rates of the related assets. The accounts of foreign subsidiaries self-sustaining operations are translated using the rate of exchange in effect at the year end.

The unrealized foreign exchange gains and losses on translation of the accounts of foreign subsidiaries are reflected as a separate component of shareholders' equity. The unrealized foreign exchange gains and losses relating to translation of long-term monetary assets and liabilities with a fixed term are deferred and amortized over the remaining life of the related term. All other foreign exchange gains and losses are included in net income or loss in the current period.

GOODWILL

Goodwill represents the price paid for acquisitions in excess of the fair market value of net tangible assets acquired. The Company amortizes goodwill on a straight-line basis over periods ranging from 10 to 40 years. The carrying value of goodwill

is assessed annually by reviewing the estimated future undiscounted cash flows of the underlying businesses of the Company. Any permanent impairment in the carrying value of goodwill is expensed in the period in which the assessment is made.

PENSIONS

The cost of pension benefits earned by employees covered under the defined benefit component of the pension plan is determined using the projected benefit method prorated on service. This cost reflects management's best estimates of the pension plan's expected investment yields, salary escalation, mortality of members and the ages at which members will retire.

REVENUE RECOGNITION

Revenue is recognized using the percentage of completion method with respect to contracts having a specified time period for the performance of the service. Work in progress is estimated as the portion of revenue which has been earned but not billed. Customer billings in advance are recorded as deferred revenue. Potential losses, if any, on work in progress are provided for as soon as the possibility of a loss becomes apparent.

All other revenue is recorded when the service is completed and/or the product is delivered.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and short-term investments, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, long-term indebtedness and derivative financial instruments. Derivative financial instruments are used by the Company to manage its exposure to market risks relating to interest rates and foreign currency exchange rates.

Credit Risk The Company's financial assets that are exposed to credit risk consist primarily of cash, accounts receivable and derivative financial instruments. The Company, in its normal course of business, is exposed to credit risk from its customers. The Company is exposed to credit loss in the event of non-performance by counterparties to the derivative financial instruments but does not anticipate non-performance by these counterparties. To reduce counterparty credit exposure, the Company deals only with large credit-worthy financial institutions and limits credit exposure to each.

Fair Value The carrying value of long-term indebtedness (see note 5) that bears interest at fixed rates is based on its quoted market price or on discounted future cash flows using rates currently available for debt of similar terms and maturities if the quoted market price was not available. The carrying value of other financial instruments, cash and short-term investments, accounts receivable, bank indebtedness and accounts payable and accrued liabilities, approximates fair value due to their short-term maturities. The fair value of derivative financial instruments, foreign exchange contracts and swaps was approximately $26,000 that the Company would pay to settle the contracts at the reporting date.

CASH AND CASH EQUIVALENTS

The Company considers all cash and highly liquid investments purchased with an initial maturity of three months or less to be cash or cash equivalents.

The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash and cash equivalents.

ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

DECEMBER 31, 1999, 1998 AND 1997 (IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)

1. ACQUISITIONS

The following are the acquisitions during the period. These acquisitions were accounted for by the purchase method and consolidated from the respective effective date of acquisition.

1997 Acquisitions:

- Effective March 1, 1997, the Company acquired 100% of News Canada Inc.
- Effective May 1, 1997, the Company acquired 100% of Image Checks Inc.
- Effective June 1, 1997, the Company acquired FRB Communications and amalgamated it with LBJ Advertising Ltd. to form LBJ-FRB Communications Inc. The Company owns 50.1% of LBJ-FRB Communications Inc.
- Effective October 15, 1997, the Company acquired 100% of Bicybec Ltée.

1998 Acquisitions:

- Effective January 1, 1998, the Company acquired 100% of Artistic Greetings Incorporated and 60% of Integrated Healthcare Communications Inc.
- Effective April 1, 1998, the Company acquired 80% of Margeotes|Fertitta+Partners LLC.
- Effective May 28, 1998, the Company acquired 65% of Qualtech Processing Inc.
- Effective July 1, 1998, the Company acquired all the assets of Custom Cheques of Canada, BA Custom Cards and Custom Direct Inc.
- Effective September 25, 1998, the Company acquired 80% of CyberSight LLC.
- Effective October 1, 1998, the Company acquired certain assets of the Styles Checks Company.
- Effective October 15, 1998, the Company acquired 81.5% of Source Marketing LLC.

1999 Acquisitions:

- Effective April 1, 1999, the Company acquired 80% of Colle & McVoy, Inc.
- Effective July 1, 1999, the Company acquired the remaining shares of Check Gallery Inc.
- Effective October 1, 1999, the Company acquired Allard-Associates, Inc. and amalgamated it with LBJ-FRB Communications Inc. to form Allard Johnson Communications Inc. The Company owns 50.1% of Allard Johnson Communications Inc.
- Effective November 1, 1999, the Company acquired 50.1% of Accent Marketing Services, LLC.
- Effective November 30, 1999, the Company acquired 70% of Fletcher Martin Associates LLC.

The assets acquired and consideration given are as follows:

DECEMBER 31	1999	1998	1997
Net assets acquired, at fair value			
Assets, net of liabilities	**$ 11,462**	$ 32,647	$ 4,662
Goodwill	**65,682**	218,080	33,990
	$ 77,144	$ 250,727	$ 38,652
Consideration			
Cash and promissory notes	**$ 73,344**	$ 166,408	$ 37,847
Other consideration	**1,165**	16,260	—
Other acquisition costs	**2,635**	68,059	805
	$ 77,144	$ 250,727	$ 38,652

In addition to the cash consideration paid by the Company in respect of its acquisitions, additional consideration is payable based on the achievement of certain threshold levels of earnings. Should the 1999 level of earnings be maintained by these acquired companies, the following approximate additional consideration would be earned in each of the following years:

2000	—	$ 17,302
2001	—	18,662
2002	—	5,228
2003	—	2,695

2. ACCOUNTS RECEIVABLE

DECEMBER 31	1999	1998	1997
Trade receivables	**$ 119,753**	$ 60,692	$ 51,028
Notes receivable	**6,757**	15,833	7,237
Unbilled work in progress	**9,531**	4,610	4,247
	$ 136,041	$ 81,135	$ 62,512

Notes receivable include amounts owing from officers and directors of the Company's subsidiaries. The notes are interest bearing at rates varying from 3.5% fixed to prime plus 1/2%, repayable from profit distributions of the various subsidiary companies and are secured by shares of the respective subsidiary companies.

3. CAPITAL AND OTHER ASSETS

DECEMBER 31	1999		1998		1997	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization	Cost	Accumulated Amortization
(a) Capital assets						
Land	**$ 1,974**	**$ —**	$ 1,870	$ —	$ 1,728	$ —
Buildings	**13,570**	**2,598**	11,788	2,152	8,709	570
Computer, furniture and fixtures	**84,109**	**43,119**	59,285	32,543	22,317	14,150
Machinery and equipment	**141,186**	**55,960**	127,380	47,093	83,139	24,109
Leasehold improvements	**27,694**	**10,859**	18,354	7,651	8,266	2,740
	268,533	**112,536**	218,677	89,439	124,159	41,569
(b) Other assets						
Investments, at cost	**1,691**	**—**	—	—	—	—
Long-term notes receivable	**20,572**	**—**	—	—	—	—
Customer acquisition costs	**27,366**	**—**	—	—	—	—
Deferred charges	**20,614**	**11,038**	19,473	6,220	15,902	3,483
Deferred finance costs	**26,464**	**7,736**	20,595	3,103	13,273	2,670
Deferred foreign exchange	**14,116**	**3,922**	24,085	1,760	11,050	463
Deferred swap settlement income	**(18,900)**	**(4,125)**	(18,900)	(2,015)	—	—
Deferred income taxes	**1,665**	**—**	1,774	—	2,264	—
	93,588	**18,571**	47,027	9,068	42,489	6,616
	362,121	**131,107**	265,704	98,507	166,648	48,185
Cost less accumulated amortization		**$ 231,014**		$ 167,197		$ 118,463

Included in capital assets are assets under capital leases with a cost of $25,826 (1998 – $17,443, 1997 – $12,788) and accumulated amortization of $5,778 (1998 – $3,590, 1997 – $2,303). Long-term notes receivable include amounts owing from officers and directors of the Company and its subsidiaries. The notes are non-interest bearing with no specific terms of repayment. Long-term

notes receivable include $4,653 owing from employees, officers and directors on account of share purchase loans and are secured by shares with a market value of $4,465 as at December 31, 1999.

4. GOODWILL

DECEMBER 31	1999	1998	1997
Cost	**$ 449,488**	$ 397,976	$ 179,896
Accumulated amortization	**30,792**	19,618	11,448
	$ 418,696	$ 378,358	$ 168,448

5. LONG-TERM INDEBTEDNESS

DECEMBER 31	1999	1998	1997
10.5% unsecured senior subordinated debentures, face value US$200,000 (1998 – US$200,000, 1997 – US$125,000), due December 1, 2006, interest payable semi-annually	**$ 288,440**	$ 311,873	$ 178,813
7% convertible debentures, face value $50,000, due January 8, 2007; present value of interest payable until January 8, 2002	**6,328**	9,185	11,855
6% convertible subordinated notes, due March 2002	**4,139**	3,887	3,656
6.75% mortgage payable, due January 2002	**2,647**	2,782	3,033
Notes payable	**12,297**	1,045	2,210
Credit facility, includes US$101,000 (1998 – US$33,500)	**163,907**	51,365	—
	477,758	380,137	199,567
Obligations under capital leases, interest at 7.37% to 11.67%	**22,353**	14,293	10,579
	500,111	394,430	210,146
Less: Current portion	**12,797**	5,719	4,512
	$ 487,314	$ 388,711	$ 205,634

The credit facility provides for an aggregate maximum borrowing of up to US$280,000 bearing interest at varying rates, depending on the nature of the loan, the Company's financial ratios and variable borrowing rates in both Canada and the United States. The credit facility and bank indebtedness are secured by a general security agreement, a pledge of shares of subsidiaries and an assignment of intercompany debt.

The credit facility converts into US$115,000 revolving facility on August 28, 2001, with up to US$140,000 converting into a three year term. The term loan is repayable at a minimum of one-twelfth of the August 28, 2001 term loan balance per quarter commencing after August 2001.

The Company has entered into a cross currency swap agreement which has converted the interest obligation on US$125,000 of the unsecured senior subordinated debentures from US$ to CDN$ and carries a revised coupon of 11.21% payable interest only semi-annually in Canadian dollars. The cross currency swap agreement terminates in December 2006.

The Company has entered into an interest rate swap agreement which has converted the interest obligation on US$50,000 of the unsecured senior subordinated debentures from 10.5% to a variable interest rate. At December 31, the variable rate of interest was approximately 9%. The interest rate swap terminates in December 2006, unless the Bank or the Company exercises its option to cancel on December 1, 2003.

The mortgage and capital leases are secured by specific equipment, land and building.

In accordance with the Company's accounting policy on financial instruments, the net proceeds of $47,350 of the 7% convertible debentures with the face value $50,000 have been allocated $14,350 to long-term indebtedness and $33,000 to other paid-in capital within shareholders' equity. Additional amounts are capitalized annually to the equity portion of the notes in order that the equity portion of the notes will equal the face value at maturity. The 7% convertible debentures are convertible at the option of the holder into Class A shares at a rate of 49.261 Class A shares per $1 of debenture. The 7% convertible debentures will be redeemable by the Company from December 31, 1999 to December 30, 2001 provided the trading price of the Class A shares is at least $25.375. After December 30, 2001 the 7% convertible debentures are redeemable by the Company. The Company may, at its option, satisfy the obligation to repay the principal amount of the debentures on redemption or at maturity in freely tradable Class A shares.

The 6% subordinated notes have been allocated $3,057 to long-term indebtedness and $1,943 to other paid-in capital within shareholders' equity. Additional interest is capitalized annually to the indebtedness portion of the notes in order that the indebtedness portion will equal the face value at maturity. The 6% convertible subordinated notes are convertible at any time into Class A shares of the Company at a rate of 66.667 Class A shares for each $1 of note. The notes are secured by a floating charge on all the assets of the Company and rank pari passu with the unsecured senior subordinated debentures and subordinate to all other bank and long-term indebtedness. Interest is paid quarterly.

The approximate principal portion of long-term indebtedness repayable in each of the five years subsequent to December 31, 1999 is as follows:

2000	—	$ 12,997
2001	—	9,812
2002	—	12,448
2003	—	3,890
2004	—	133,292
Thereafter	—	327,672
Total		$ 500,111

Total interest on long-term debt was $43,251 (1998 – $29,096, 1997 – $13,364). Of this amount approximately $Nil (1998 – $78, 1997 – $364) has been capitalized.

The Company's estimate of the fair value of its long-term indebtedness is as follows:

DECEMBER 31	**1999**	1998	1997
Maturing within five years	**$ 170,000**	$ 82,000	$ 31,000
Maturing after five years	**320,000**	321,000	190,000
	$ 490,000	$ 403,000	$ 221,000

6. SHARE CAPITAL

The authorized share capital of the Company is as follows:

An unlimited number of shares (subordinate voting shares) carrying one vote each, entitled to dividends equal to or greater than Class B shares, convertible at the option of the holder into one Class B share for each Class A share after the occurrence of certain events related to an offer to purchase all Class B shares.

An unlimited number of Class B shares carrying 20 votes each, convertible at any time at the option of the holder into one Class A share for each Class B share.

An unlimited number of non-voting preference shares issuable in series.

Changes to the Company's issued and outstanding share capital are as follows:

	Shares	Amount
Class A		
Balance, December 31, 1996	11,901,486	$ 86,017
Shares acquired and cancelled pursuant to a normal course issuer bid	(331,700)	(3,287)
Share options exercised	216,600	778
Conversion of Class B shares	37	—
Income tax recovery of shares issue costs	—	470
Balance, December 31, 1997	11,786,423	83,978
Shares acquired and cancelled pursuant to a normal course issuer bid	(25,200)	(288)
Shares issued by prospectus	3,000,000	42,000
Share options and warrants exercised	558,779	4,807
Shares issued on purchase of assets of Custom Cheques of Canada, BA Custom Cards and Custom Direct Inc.	1,250,000	15,000
Shares issued on purchase of Source Marketing LLC	120,280	1,260
Share issue costs, net of income tax recovery of $1,095	—	(1,373)
Conversion of Class B shares	166	—
Balance, December 31, 1998	16,690,448	145,384
Shares issued by prospectus	415,000	5,810
Shares issued by private placement	312,700	4,404
Share options and warrants exercised	239,359	3,057
Shares issued on purchase of shares of Allard Associates Inc.	85,150	1,165
Shares acquired and cancelled pursuant to a normal course issuer bid	(454,000)	(5,932)
Share issue costs, net of income tax recovery of $267	—	(400)
Conversion of Class B shares	1,093	—
Balance, December 31, 1999	17,289,750	$ 153,488
Class B		
Balance, December 31, 1996	451,766	$ 202
Conversion to Class A shares	(37)	—
Balance, December 31, 1997	451,729	202
Conversion to Class A shares	(166)	—
Balance, December 31, 1998	451,563	202
Conversion to Class A shares	(1,093)	—
Balance, December 31, 1999	450,470	$ 202
Total Share Capital		
1999	**17,740,220**	**$ 153,690**
1998	17,142,011	$ 145,586
1997	12,238,152	$ 84,180

As at December 31, 1999 the Company had granted options under the terms of its employee share option incentive plan to purchase 2,466,864 Class A shares at prices ranging from $7.75 to $18.00 per share. These options expire between 2000 and 2004.

The Company has reserved a total of 5,479,919 Class A shares in order to meet its obligations under various conversion rights, warrants and employee share options.

7. OTHER PAID-IN CAPITAL

DECEMBER 31	1999	1998	1997
Balance, beginning of year	**$ 40,909**	$ 37,802	$ 1,943
Equity component of 7% convertible debentures	**—**	—	33,000
Allocation from retained earnings	**3,377**	3,107	2,859
	$ 44,286	$ 40,909	$ 37,802

8. CUMULATIVE TRANSLATION ADJUSTMENT

This adjustment represents the net unrealized foreign currency translation gain (loss) on the Company's net investment in self-sustaining foreign operations in the United States, United Kingdom and Australia.

9. MINORITY INTERESTS

These amounts represent remuneration paid to shareholders-managers of subsidiary companies pursuant to their respective shareholder agreements and adjustments to the minority interest position.

10. INCOME TAXES

The Company's provision for income taxes is comprised as follows:

DECEMBER 31	1999	1998	1997
Current	**$ 9,083**	$ 4,227	$ 7,041
Deferred	**7,453**	5,256	(1,218)
Recovery of taxes due to utilization of losses and unrecorded deferred tax debits of prior years	**(3,826)**	—	(1,870)
	$ 12,710	$ 9,483	$ 3,953

Reconciliation to statutory rates is as follows:

DECEMBER 31	1999	1998	1997
Provision for income taxes based on combined basic Canadian federal and provincial tax rate of 44.3%	**$ 15,836**	$ 10,451	$ 5,198
Increase (decrease) in taxes resulting from permanent differences	**700**	(705)	1,392
Recovery of taxes due to realization of losses and unrecorded deferred tax debits of prior years	**(3,826)**	(263)	(2,637)
Total provision	**$ 12,710**	$ 9,483	$ 3,953

Disclosed on the Statements of Operations as follows:

DECEMBER 31	1999	1998	1997
Income taxes	**$ 13,473**	$ 9,741	$ 3,953
Recovery of income taxes related to goodwill charges	**(763)**	(258)	—
	$ 12,710	$ 9,483	$ 3,953

As at December 31, 1999 the consolidated group had approximately $32,500 of items which had not been claimed for income tax purposes. The potential income tax benefits have not been recorded in these consolidated financial statements.

11. INCOME (LOSS) FROM DISCONTINUED OPERATIONS

In December 1997, the Company adopted a plan to divest its Regal Greetings & Gift and Primes de Luxe ("Regal") operations. The divestiture process is ongoing and is anticipated to take some time to complete. Accordingly, the results of Regal are reported as discontinued operations. Interest has been allocated to discontinued operations.

DECEMBER 31	1999	1998	1997
Sales	**$ 77,188**	$ 67,934	$ 70,794
Income (loss) from operations	**$ —**	—	$ (23,618)
Provision for losses to date of disposal	**—**	—	(5,000)
Net income (loss) from discontinued operations	**$ —**	—	$ (28,618)

As at December 31, 1999 the carrying values of Regal's net assets are as follows:

Net working capital	$ 19,019
Capital and other assets	9,330
Goodwill	45,122
	$ 73,471

12. EARNINGS PER SHARE

Basic earnings per share has been calculated on a weighted average basis of Class A shares and Class B shares outstanding during the year and after giving effect to the net allocation to other paid-in capital related to the convertible debentures.

The calculation of fully diluted earnings per share is based upon the common shares outstanding during the year as above, adjusted by the total of the additional common shares that would have been issued assuming exercise of all share options and warrants and conversion of all other dilutive instruments.

13. PENSION COSTS AND OBLIGATIONS

The estimated market value of assets in the defined benefit component of the pension plans was $16,830 at December 31, 1999 (1998 – $17,788). These assets are available to meet the estimated present value of accrued pension obligations of $16,242 at December 31, 1999 (1998 – $16,130).

14. COMMITMENTS

a) The Company has leased real estate and equipment at the following approximate annual base rental:

2000	—	$ 17,413
2001	—	15,219
2002	—	12,844
2003	—	10,552
2004	—	9,377
Thereafter	—	16,507

b) The Company, under agreements with respect to the terms of acquisitions, may be required to acquire part or all of minority shareholdings at an amount based on the net income of the respective subsidiary companies.

15. CONTINGENT LIABILITIES

As at December 31, 1999 there are claims against the Company in varying amounts. It is not possible to determine the amounts that may ultimately be assessed against the Company with respect to these claims; however, management believes that any such amounts would not have a material impact on the business or financial position of the Company.

16. RELATED PARTY TRANSACTIONS

The Company paid fees totalling $2,500 (1998 – $1,000, 1997 – $1,000) to a company controlled by an officer of the Company in connection with capital transactions. In addition the Company has a non-interest bearing note receivable of $3,000 (1998 – $3,000, 1997 – $3,000) from the same company.

17. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Company, including those related to customers, suppliers, or other third parties, have been fully resolved.

18. COMPARATIVE FIGURES

The comparative figures have been restated to conform with the current year's presentation with respect to goodwill charges, net of income tax recovery and the statement of cash flow.

19. SUBSEQUENT EVENT

Effective January 1, 2000 the Company entered into an agreement with a newly formed subsidiary, Maxxcom Inc., whereby substantially all of the Company's Marketing Communications division's operations have been transferred to this new subsidiary. Maxxcom Inc. filed a preliminary prospectus on February 22, 2000 for the issuance of shares.

20. SEGMENTED INFORMATION

Based on the Company's internal management structure, the Company's continuing operations are in primarily two business segments – Secure Transactions and Marketing Communications. Secure Transactions operations provide security products and services in four prime areas: personalized transaction products, stamps, secure ticketing products, and business and technology services. The Marketing Communications division offers services in niche markets within the following segments of marketing communications: advertising and promotion, public relations and corporate communications, and branding and consulting. The significant accounting policies of these segments are the same as those described in the summary of significant accounting policies.

FOR THE YEAR ENDED DECEMBER 31, 1999	Secure Transactions	Marketing Communications	Corporate & Other	Total
Earnings				
Sales	$ 422,443	$ 214,888	$ 23,950	$ 661,281
Operating income	$ 98,807	$ 29,067	$ (3,583)	$ 124,291
Amortization	31,287	5,906	3,177	40,370
Minority interests	(7)	8,651	—	8,644
Earnings, before interest and income taxes	$ 67,527	$ 14,510	$ (6,760)	75,277
Interest				39,560
Earnings, before income taxes				35,717
Income taxes				12,710
Net earnings from continuing operations				$ 23,007
Assets				
Total assets	$ 515,970	$ 230,994	$ 159,360	$ 906,324
Expenditures on capital assets	$ 34,553	$ 6,039	$ 676	$ 41,268

FOR THE YEAR ENDED DECEMBER 31, 1998	Secure Transactions	Marketing Communications	Corporate & Other	Total
Earnings				
Sales	$ 361,200	$ 101,839	$ 13,688	$ 476,727
Operating income	$ 70,489	$ 14,074	$ (5,919)	$ 78,644
Amortization	21,636	2,650	1,762	26,048
Minority interests	1,383	4,604	—	5,987
Earnings, before interest and income taxes	$ 47,470	$ 6,820	$ (7,681)	46,609
Interest				23,018
Earnings, before income taxes				23,591
Income taxes				9,483
Net earnings from continuing operations				$ 14,108
Assets				
Total assets	$ 514,955	$ 99,873	$ 125,185	$ 740,013
Expenditures on capital assets	$ 30,658	$ 1,799	$ 5,627	$ 38,084

FOR THE YEAR ENDED DECEMBER 31, 1997	Secure Transactions	Marketing Communications	Corporate & Other	Total
Earnings				
Sales	$ 195,318	$ 66,763	$ 17,939	$ 280,020
Operating income	$ 31,012	$ 8,865	$ (4,231)	$ 35,646
Amortization	12,305	1,533	946	14,784
Minority interests	384	2,486	—	2,870
Earnings, before interest and income taxes	$ 18,323	$ 4,846	$ (5,177)	17,992
Interest				6,258
Earnings, before income taxes				11,734
Income taxes				3,953
Net earnings from continuing operations				$ 7,781
Assets				
Total assets	$ 239,703	$ 52,243	$ 125,563	$ 417,509
Expenditures on capital assets	$ 16,429	$ 1,130	$ 2,168	$ 19,727

Geographic Information

Sales	**1999**	1998	1997
Canada	**$ 378,147**	$ 280,268	$ 208,159
United States	**243,699**	160,174	49,370
Other countries	**39,435**	36,285	22,491
Total	**$ 661,281**	$ 476,727	$ 280,020

Capital Assets and Goodwill	**1999**	1998	1997
Canada	**$ 350,749**	$ 326,239	$ 221,111
United States	**253,724**	170,262	34,314
Other countries	**45,237**	49,054	31,486
Total	**$ 649,710**	$ 545,555	$ 286,911

TEN-YEAR FINANCIAL SUMMARY

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

		1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Operations											
Sales	$	**661,281**	476,727	280,020	158,211	97,796	49,605	32,061	27,296	21,188	23,782
Cost of sales		**291,113**	242,608	156,823	95,628	65,421	34,789	22,495	19,617	15,631	17,155
Gross profit		**370,168**	234,119	123,197	62,583	32,375	14,816	9,566	7,679	5,557	6,627
Operating expenses		**245,877**	155,475	87,551	40,395	22,524	9,755	5,910	4,571	4,484	4,612
Operating income		**124,291**	78,644	35,646	22,188	9,851	5,061	3,656	3,108	1,073	2,015
Amortization expense		**30,588**	19,359	11,880	5,421	1,184	1,121	605	517	580	674
Interest expense		**39,560**	23,018	6,258	6,177	2,138	485	626	879	1,057	1,182
Minority interests		**8,644**	5,987	2,870	1,258	828	850	299	479	531	789
Loss (gain) on sale of capital assets		**—**	—	—	(615)	—	3	(148)	(46)	—	7
Income (loss) before income taxes and goodwill charges		**45,499**	30,280	14,638	9,947	5,701	2,602	2,274	1,279	(1,095)	(637)
Income taxes		**13,473**	9,741	3,953	2,842	1,542	970	113	27	(161)	106
Income (loss) before goodwill charges		**32,026**	20,539	10,685	7,105	4,159	1,632	2,161	1,252	(934)	(743)
Goodwill charges (net of taxes)		**9,019**	6,431	2,904	2,374	1,962	340	290	173	159	145
Income (loss) before undernoted item	$	**23,007**	14,108	7,781	4,731	2,197	1,292	1,871	1,079	(1,093)	(888)
Non-recurring charges/ discontinued operations		**—**	—	28,618	(2,308)	(613)	(3,016)	—	—	467	5,302
Net income (loss)	$	**23,007**	14,108	(20,837)	7,039	2,810	4,308	1,871	1,079	(1,560)	(6,190)
Earnings per share											
Continuing operations (before goodwill charges)											
Basic	$	**1.70**	1.41	0.74	0.61	0.40	0.17	0.29	0.27	(0.36)	(0.33)
Fully diluted		**1.49**	1.24	0.69	0.58	0.39	0.17	0.28	0.26	(0.36)	(0.33)
Continuing operations											
Basic	$	**1.19**	0.93	0.50	0.41	0.21	0.14	0.25	0.23	(0.42)	(0.39)
Fully diluted		**1.10**	0.88	0.49	0.40	0.21	0.14	0.25	0.22	(0.42)	(0.39)
Reported											
Basic	$	**1.19**	0.93	(1.82)	0.61	0.27	0.46	0.25	0.23	(0.60)	(2.72)
Fully diluted		**1.10**	0.88	(1.82)	0.58	0.27	0.45	0.25	0.22	(0.60)	(2.72)
Cash flow from continuing operations											
Cash flow from continuing operations	$	**69,735**	45,072	22,432	12,616	3,973	2,686	1,552	2,011	(303)	(25)
Cash flow per share											
Basic		**3.82**	3.25	1.69	1.09	0.39	0.29	0.21	0.42	(0.12)	(0.01)
Fully diluted		**3.14**	2.64	1.41	0.99	0.37	0.29	0.21	0.40	(0.12)	(0.01)
Financial position											
Net working capital	$	**58,990**	44,811	37,930	63,040	8,194	7,741	9,938	539	166	1,177
Capital and other assets		**231,014**	167,197	118,463	96,053	43,581	18,269	5,608	2,161	1,866	2,299
Goodwill		**418,696**	378,358	168,448	138,767	80,092	67,687	14,707	10,739	6,522	6,698
Total assets		**906,324**	740,013	417,509	361,935	184,128	124,049	40,076	23,311	13,815	15,527
Long-term indebtedness		**487,314**	388,711	205,634	190,907	56,748	26,645	5,844	5,948	6,477	8,518
Total indebtedness		**503,315**	397,080	222,223	194,579	80,734	32,178	8,080	8,602	8,794	10,442
Shareholders' equity		**215,564**	198,144	117,168	105,776	73,978	64,301	24,165	7,172	1,796	1,152
Other data											
Operating income as a % of sales	%	**18.8**	16.5	12.7	14.0	10.1	10.2	11.4	11.4	5.1	8.5
Income from continuing operations as a % of sales		**4.8**	4.3	3.8	4.5	4.3	2.6	5.8	4.0	(5.2)	(3.7)
Book value per share	$	**12.15**	11.56	9.57	8.56	7.13	6.42	3.07	1.25	0.58	0.49
Current ratio		**1.30**	1.30	1.41	1.98	1.16	1.26	2.01	1.05	1.03	1.22
Long-term indebtedness to total capitalization	%	**67.8**	65.3	60.6	63.6	36.7	27.6	18.1	37.7	61.2	73.5
Total indebtedness to total capitalization		**70.0**	66.7	65.5	64.8	52.2	33.4	25.1	54.5	83.0	90.1
Total indebtedness to shareholders' equity		**2.3**	2.0	1.9	1.8	1.1	0.5	0.3	1.2	4.9	9.1
Class A and B shares outstanding at year end		**17,740**	17,142	12,238	12,353	10,371	10,019	7,883	5,742	3,085	2,342
Employees at year end		**5,390**	3,930	2,920	2,600	1,491	1,150	277	160	111	102

THREE-YEAR SUMMARY – QUARTERLY CONSOLIDATED OPERATING RESULTS FROM CONTINUING OPERATIONS

(IN THOUSANDS OF DOLLARS)

	1st Quarter			2nd Quarter		
(UNAUDITED)	1999	1998	1997	1999	1998	1997
Sales	**$ 151,016**	87,067	68,156	**171,158**	131,701	72,006
Net income						
Net income	**$ 5,153**	2,797	2,182	**5,621**	3,479	1,921
Net income per share						
Basic	**$ 0.27**	0.19	0.14	**0.29**	0.25	0.13
Fully diluted	**$ 0.25**	0.18	0.14	**0.27**	0.22	0.12
Cash flow						
Cash flow from operations	**$ 16,720**	5,492	2,865	**16,146**	5,665	1,452
Cash flow per share						
Basic	**$ 0.93**	0.42	0.28	**0.88**	0.44	0.12
Fully diluted	**$ 0.76**	0.35	0.25	**0.72**	0.36	0.12

	3rd Quarter			4th Quarter			Annual Total		
(UNAUDITED)	1999	1998	1997	1999	1998	1997	1999	1998	1997
Sales	**$ 155,806**	125,087	62,062	**183,301**	132,872	77,796	**661,281**	476,727	280,020
Net income									
Net income	**$ 5,745**	3,430	1,469	**6,488**	4,402	2,209	**23,007**	14,108	7,781
Net income per share									
Basic	**$ 0.29**	0.23	0.08	**0.34**	0.26	0.15	**1.19**	0.93	0.50
Fully diluted	**$ 0.27**	0.22	0.08	**0.31**	0.26	0.15	**1.10**	0.88	0.49
Cash flow									
Cash flow from operations	**$ 16,667**	13,755	4,615	**20,202**	14,461	6,660	**69,735**	45,072	22,432
Cash flow per share									
Basic	**$ 0.90**	1.06	0.36	**1.11**	90.0	0.47	**3.82**	3.25	1.69
Fully diluted	**$ 0.76**	0.89	0.31	**0.90**	0.61	0.39	**3.14**	2.64	1.41

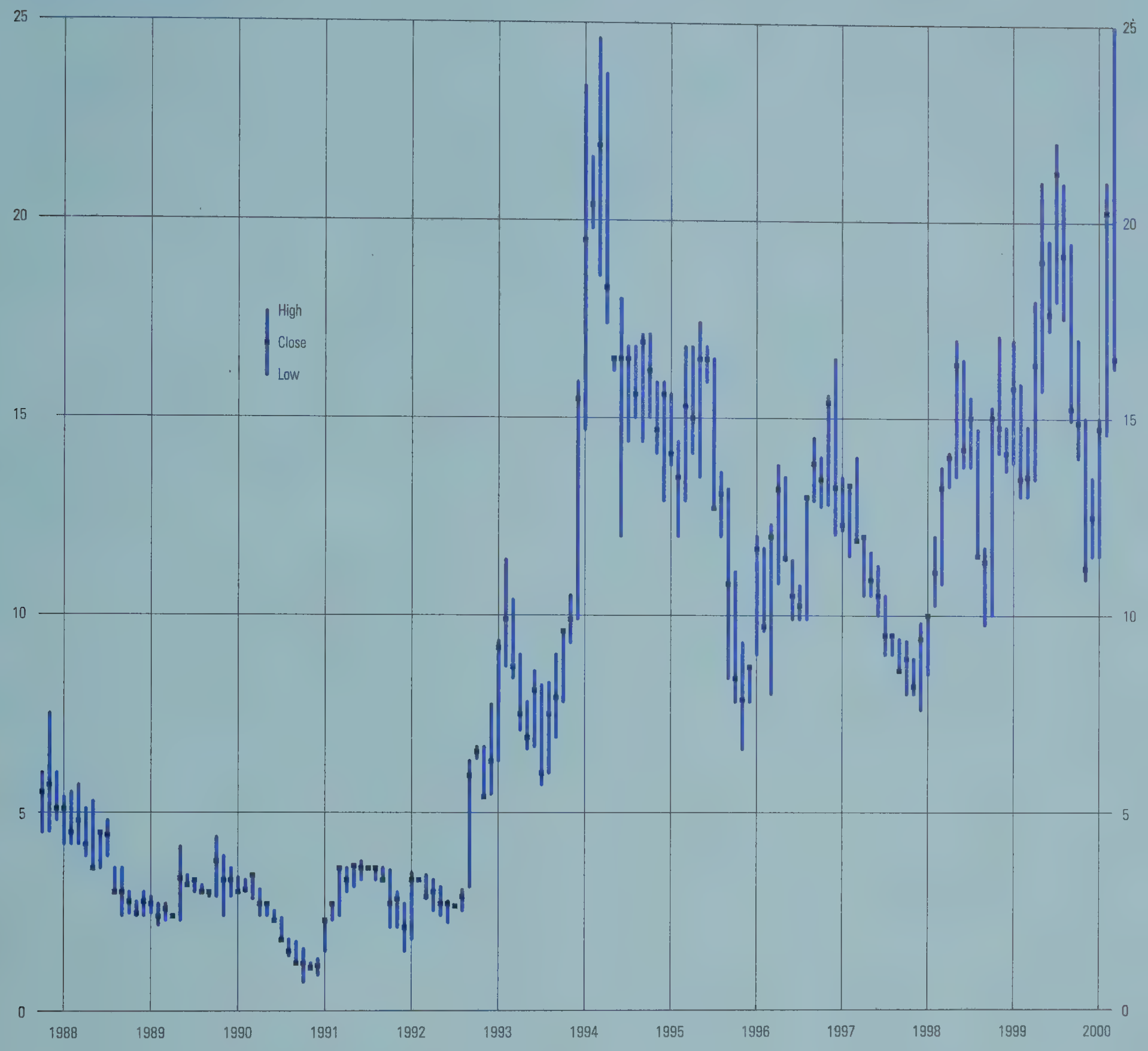
CLASS A SHARE PRICE

The Class A shares of MDC Corporation Inc. are listed on The Toronto Stock Exchange and since October 1998 on the NASDAQ National Market (from April 1995 to September 1998, the Company's shares traded on the American Stock Exchange). Quarterly market price data, adjusted for the one for six consolidation completed in May 1996, from 1992 to the first quarter of 2000 were as shown below:

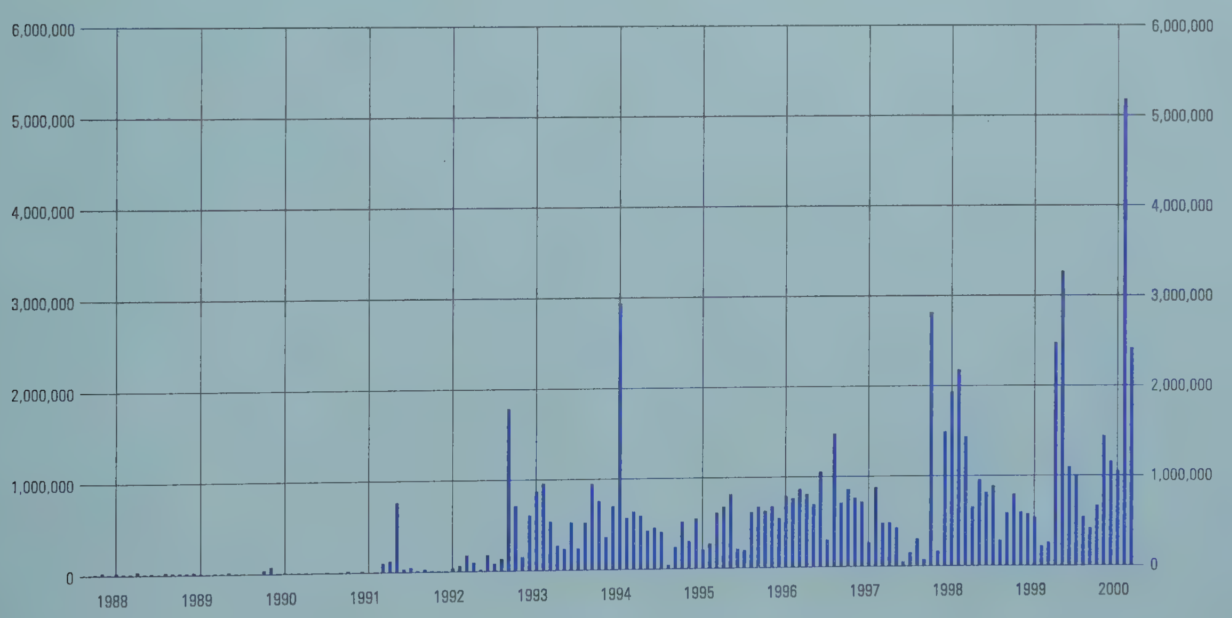
	MDZ.A			MDC.A NASDAQ National Market		
	Market price per share		Trading volume	Market price per share		Trading volume
Quarter ending	High	Low	# of shares	High	Low	# of shares
2000						
March 31	**$ 24.90**	**$ 16.25**	**2,413,862**	**US$ 17.13**	**US$ 11.25**	**720,593**
1999						
December 31	**$ 17.00**	**$ 10.90**	**3,253,562**	**US$ 11.50**	**US$ 7.38**	**3,345,951**
September 30	**$ 22.00**	**$ 14.95**	**1,961,398**	**US$ 14.50**	**US$ 10.25**	**2,647,303**
June 30	**$ 21.00**	**$ 13.50**	**6,819,341**	**US$ 14.00**	**US$ 9.00**	**4,991,929**
March 31	**$ 16.95**	**$ 12.50**	**1,015,297**	**US$ 11.00**	**US$ 8.25**	**1,329,051**
Total 1999	**$ 22.00**	**$ 10.90**	**13,049,598**	**US$ 14.50**	**US$ 7.38**	**12,314,234**
1998						
December 31	$ 17.05	$ 10.00	1,957,257	US$ 11.00	US$ 6.56	2,028,374
September 30	$ 15.50	$ 9.75	1,753,154	US$ 10.31	US$ 6.25	1,399,700
June 30	$ 16.95	$ 13.25	2,420,220	US$ 11.31	US$ 9.38	1,797,100
March 31	$ 13.75	$ 8.50	5,525,864	US$ 9.75	US$ 6.25	1,863,900
Total 1998	$ 17.05	$ 8.50	11,656,495	US$ 11.31	US$ 6.25	5,060,700
1997						
December 31	$ 9.80	$ 7.60	4,452,805	US$ 6.75	US$ 5.25	197,700
September 30	$ 10.50	$ 8.60	521,483	US$ 7.63	US$ 6.38	142,700
June 30	$ 12.00	$ 10.00	954,972	US$ 8.63	US$ 7.13	85,900
March 31	$ 14.00	$ 11.50	1,619,243	US$ 10.25	US$ 8.63	181,200
Total 1997	$ 14.00	$ 7.60	7,548,503	US$ 12.13	US$ 6.38	607,500
1996						
December 31	$ 16.50	$ 12.05	2,330,275	US$ 12.13	US$ 9.13	493,900
September 30	$ 14.50	$ 9.90	2,474,651	US$ 10.75	US$ 7.00	546,600
June 30	$ 13.80	$ 9.90	2,546,773	US$ 10.13	US$ 7.19	416,183
March 31	$ 12.30	$ 9.00	2,410,339	US$ 9.75	US$ 6.38	691,733
Total 1996	$ 16.50	$ 9.00	9,762,038	US$ 12.13	US$ 6.38	2,148,416
1995						
December 31	$ 13.20	$ 6.60	2,377,965	US$ 9.38	US$ 4.88	174,983
August 31	$ 16.80	$ 12.00	1,018,181	US$ 12.38	US$ 9.38	63,033
May 31	$ 17.40	$ 12.90	2,091,864	US$ 12.75	US$ 9.75	114,533
February 28	$ 15.90	$ 12.00	1,027,809			
Total 1995	$ 17.40	$ 6.60	6,515,819	US$ 12.75	US$ 4.88	352,550
1994						
November 30	$ 17.10	$ 14.10	1,056,306			
August 31	$ 18.00	$ 12.00	900,445			
May 31	$ 24.60	$ 15.60	1,641,711			
February 28	$ 23.40	$ 9.90	4,185,750			
Total 1994	$ 24.60	$ 9.90	7,784,212			
1993						
November 30	$ 10.50	$ 6.90	2,056,852			
August 31	$ 8.58	$ 5.70	1,277,667			
May 31	$ 10.38	$ 6.60	1,040,305			
February 28	$ 11.40	$ 5.46	2,424,275			
Total 1993	$ 11.40	$ 5.46	6,799,099			
1992						
November 30	$ 6.96	$ 3.12	2,639,328			
August 31	$ 3.06	$ 2.22	384,833			
May 31	$ 3.42	$ 2.40	187,150			
February 28	$ 3.60	$ 1.50	98,767			
Total 1992	$ 6.96	$ 1.50	3,310,078			

MDC CLASS A SUBORDINATE VOTING SHARES
THE TORONTO STOCK EXCHANGE TRADING HISTORY: 1987-1999

SHARE PRICE IN CDN$



VOLUME



Miles S. Nadal is Chairman of the Board, and Chairman, President and CEO of MDC Corporation Inc. Under Mr. Nadal's leadership, the company has grown from its start-up in 1980 to a diversified international corporation with revenues of $661 million. Mr. Nadal serves on the boards of several community and charitable organizations, including the Schulich School of Business, Mount Sinai Hospital, and the Baycrest Hospital Board of Governors.

Ronald D. Besse, a Director since 1988, is Chairman and CEO of Canada Publishing Corporation, and Chairman and President of RDB Capital Corporation. Mr. Besse serves on the boards of several Canadian and international companies, including Rogers Communications Inc., and Luxembourg Cambridge Holding Group. He is also Lead Director for C.I. Fund Management Inc.

Thomas N. Davidson, a Director since 1988, is an industrialist and venture capitalist. He is Chairman of the Quarry Hill Group of companies, and is a director of several Canadian and international companies including Anderson Resources, Derlan Industries Limited and HMI Industries.

Lloyd S.D. Fogler, QC, a Director since 1986, is a senior partner in the law firm of Fogler, Rubinoff, Barristers & Solicitors. Mr. Fogler serves on the boards of several public companies, including Brampton Brick Ltd. and First Mercantile Currency Fund. Mr. Fogler is Chairman Emeritus of Mount Sinai Hospital; Chairman of the Mount Sinai Hospital Foundation of Toronto; and a director of the Canadian Opera Company.

Anthony M. Frank, a director since 1998, is the co-founder, General Partner and Chairman of Belvedere Capital Partners, an investment group headquartered in San Francisco. Mr. Frank has extensive experience in the banking industry and has served in numerous senior executive roles including President and Chairman of Citizens Savings and Loan of San Francisco (now First Nationwide Bank). Mr. Frank also served as the 69th Postmaster General of the United States and was the Chief Executive Officer of the U.S. Postal Service for four years.

Guy P. French, a Director since 1989, has held several senior executive positions in domestic and international consumer goods and industrial products corporations. He is a founding partner of the Toronto-based executive recruiting firm, corso, mizgala + french, which commenced operations in 1992. Mr. French serves on the boards of several companies, including Working Ventures Canadian Fund Inc., and S.C. Johnson & Son Ltd.

Albert Gnat, QC, a Director since 1998, is a partner in the law firm of Lang Michener, Barristers & Solicitors, and serves on the boards of several Canadian and international organizations. Mr. Gnat specializes in corporate and commercial practice encompassing securities, mergers and acquisitions, and finance transactions, and serves as the senior legal advisor for several major public and private corporations.

Richard R. Hylland, a recently appointed Director, is President and Chief Operating Officer of NorthWestern Corporation. Mr. Hylland, who has an extensive background in strategic development, operations and finance, also serves on NorthWestern's board of directors and as Vice Chairman of NorthWestern Growth; Cornerstone Propane Partners, LLP; Blue Dot; and Expanets. He is Chairman of Franklin Industries and serves on the board of LodgeNet Entertainment Corporation, in addition to other private entities. Mr. Hylland resides in Sioux Falls, South Dakota.

Peter M. Lewis, a Director since 1994, is Executive Vice-President and Chief Financial Officer, MDC Corporation Inc. Prior to joining MDC, Mr. Lewis, a chartered accountant, was a partner at Price Waterhouse, consulting in the field of mergers and acquisitions.

Stephen O. Marshall, a Director as of July 1999, is Executive Vice-President, Corporate Development, MDC Corporation Inc. Prior to joining MDC, Mr. Marshall was a senior partner at the Tory law firm, specializing in mergers, acquisitions and financing. He was Managing Partner in their European office in London, England, from 1995 to 1998. Mr. Marshall holds a Masters of Science in management from the MIT Sloan School of Management and a L.L.B. from the University of Western Ontario.

Stephen M. Pustil, a Director since 1992, and Vice-Chairman of the Board of MDC Corporation Inc., Mr. Pustil is President of Penwest Development Corporation Ltd., a real estate development and construction firm that he established in 1972. Mr. Pustil, a chartered accountant, also serves as Vice-Chairman on the Board of Mount Sinai Hospital.

François R. Roy joined the Board of Directors in 1998. Mr. Roy is Chief Financial Officer of Telemedia Corporation, having previously served as Executive Vice-President and Chief Financial Officer of Quebecor Inc. Mr. Roy also has had extensive experience in the financial services industry, having served in various executive positions in Toronto, New York, Los Angeles and Montreal.

Graham W. Savage, a Director since 1996, is a principal in Savage Walker Capital Inc., a merchant bank. He was for many years an executive at Rogers Communications Inc., serving from 1989 to 1996 as Chief Financial Officer. Mr. Savage serves on the boards of several companies, including Canadian Tire Corporation Limited, Financial Models Company, and Vitran Corporation Inc.

The Executive Committee

Chairman
Miles S. Nadal

Members
Lloyd S.D. Fogler, QC
Stephen M. Pustil

Responsibilities
During intervals between full meetings of the Board of Directors, the Executive Committee may undertake the business of the Board – excluding responsibilities specified in subsection 127(3) of the Business Corporations Act, 1982 (Ontario) – in all areas where specific direction has not been given by the Board. All expenditures authorized by the Executive Committee are reported to the Board of Directors at its next meeting. The Executive Committee maintains minutes of its meetings which are submitted to the Board for approval.

Specific responsibilities include

- To study and make recommendations to the Board on new policies concerning the orientation, expansion, and development of the Corporation.
- To study and make recommendations on annual and long-term plans for approval by the Board.
- To recommend to the Board annual budget projections.
- To study and recommend to the Board any capital expenditure plans.
- To review operating results for each quarter and the year-to-date.
- To deal with all matters, including guarantees, commitments, purchases of shares or assets for amounts under $500,000.
- To give prior authorization on capital expenditures for amounts of $300,000 or less not included in the annual budget.
- To recommend to the Board all matters concerning a change affecting any of the Corporation's bankers.
- To examine and recommend any proposal involving significant changes in management of the business, major acquisitions, and commitments for investments for reference to the Board.
- Any other responsibilities specifically delegated by the Board.

The Audit Committee

Chairman
Thomas N. Davidson

Members
Lloyd S.D. Fogler, QC
Miles S. Nadal
Stephen M. Pustil
Graham W. Savage

Responsibilities
To review all financial statements, annual and interim, intended for circulation among shareholders and to report upon these to the Board. In addition, the Board of Directors may refer to the Audit Committee on other matters and questions relating to the financial position of the Corporation and its affiliates.

The Corporate Governance Committee

Chairman
Stephen M. Pustil

Members
Ronald D. Besse
Thomas N. Davidson
Graham W. Savage

Responsibilities
The Corporate Governance Committee is composed of four members, all of whom are unrelated directors. The committee is responsible for reviewing and making recommendations to the Board with respect to developments in the area of corporate governance and the practices of the Board. The committee is also responsible for evaluating the performance of the Board as a whole as well as individual Board members and for reporting to the Board with respect to appropriate candidates for nominations to the Board.

The Compensation Committee

Chairman
Stephen M. Pustil

Members
Ronald D. Besse
Thomas N. Davidson

Responsibilities
- To determine the compensation of all senior officers of the Corporation.
- To discuss personnel and human resource matters including recruitment and development, management succession and benefit plans.
- To grant options under the Corporation's Employee Stock Option Incentive Plan.

In addition, the Board may refer to the Committee other matters and questions relating to compensation of management employees of the Company and its affiliates.

Board of Directors

Chairman
Miles S. Nadal

Members
Ronald D. Besse
Thomas N. Davidson
Lloyd S.D. Fogler, QC
Anthony M. Frank
Guy P. French
Albert Gnat, QC
Richard R. Hylland
Peter M. Lewis
Stephen O. Marshall
Stephen M. Pustil
François R. Roy
Graham W. Savage

Corporate Officers

Corporate
Miles S. Nadal
CHAIRMAN, PRESIDENT & CHIEF EXECUTIVE OFFICER

Peter M. Lewis
EXECUTIVE VICE-PRESIDENT & CHIEF FINANCIAL OFFICER

Stephen O. Marshall
EXECUTIVE VICE-PRESIDENT, CORPORATE DEVELOPMENT

Walter Campbell
SENIOR VICE-PRESIDENT, FINANCE

Janice R. Wadge
SENIOR VICE-PRESIDENT, CORPORATE PLANNING & COMMUNICATIONS

Maria Pappas
ASSISTANT SECRETARY

Maxxcom Inc. (Marketing Communications Division)
Beverley A. Morden
PRESIDENT & CHIEF EXECUTIVE OFFICER

Rodney S. Davis
VICE-PRESIDENT, CORPORATE DEVELOPMENT

Viki A. Lazaris
CONTROLLER

Secure Transactions Division
John C. Browning
PRESIDENT & CHIEF OPERATING OFFICER, CUSTOM DIRECT

Robert J. Cronin
PRESIDENT & CHIEF OPERATING OFFICER, MDC EMERGING BUSINESSES

Jon A. Hantho
PRESIDENT & CHIEF OPERATING OFFICER, OPTUS CORPORATION

M. William Kerson
PRESIDENT & CHIEF OPERATING OFFICER, MDC STAMP & TICKET GROUP

C. Sanford McFarlane
CHAIRMAN & CHIEF EXECUTIVE OFFICER, DAVIS + HENDERSON

Gregory J. McKenzie
PRESIDENT & CHIEF OPERATING OFFICER, METACA CORPORATION

MDC Corporation Inc.

Head Office
45 Hazelton Avenue
Toronto, Ontario, Canada
M5R 2E3
CHAIRMAN, PRESIDENT & CEO: MILES NADAL

Phone: (416) 960-9000
Fax: (416) 960-9555
www.mdccorp.com

Secure Transactions Division

Custom Direct
Joppa Office
1809 Fashion Court
Suite 111
Joppa, Maryland
21085
Phone: (410) 679-3300
Fax: (410) 686-0950
www.checkgallery.com
PRESIDENT & COO: JOHN BROWNING

Little Rock Office
10110 West Markham
Little Rock, Arkansas
72205
Phone: (501) 225-5957
Fax: (501) 225-0429

Davis + Henderson
939 Eglinton Ave. East
Suite 201
Toronto, Ontario
M4G 4H7
Phone: (416) 696-7700
Fax: (416) 696-7476
CHAIRMAN & CEO: SANFORD MCFARLANE

MDC Stamp and Ticket Group
Head Office and Ashton-Potter Canada Ltd.
5485 Tomken Road
Mississauga, Ontario
L4W 3Y3
Phone: (905) 625-1010
Fax: (905) 625-4040
www.ashtonpotter.com
PRESIDENT & COO: WILLIAM KERSON
GENERAL MANAGER ASHTON-POTTER CANADA LTD.: TOM DOPSON

Ashton-Potter (USA) Ltd.
10 Curtwright Drive
Williamsville, New York
14221
Phone: (716) 633-2000
Fax: (716) 633-2525
GENERAL MANAGER: BARRY SWITZER

The House of Questa Ltd.
Canada House
Canada Road
Byfleet, Surrey
KT14 7JL, England
Phone: 011 44 1932 871 400
Fax: 011 44 1932 871 408
MANAGING DIRECTOR: GRAHAM SEARLE

Mercury Graphics
1438 Fletcher Road
Saskatoon, Saskatchewan
S7M 5T2
Phone: (306) 384-8000
Fax: (306) 683-0075
PRESIDENT & GENERAL MANAGER: GORDON BAYDA

Spectron Security Print Pty Ltd.
800 Stud Road
Scoresby, Victoria
3179 Australia
Phone: 011 613 9 764 9644
Fax: 011 613 9 764 9272
MANAGING DIRECTOR: TREVOR MARRIOTT

Metaca Corporation
460 Applewood Crescent
Concord, Ontario
L4K 4Z3
Phone: (905) 761-8333
Fax: (905) 761-8220
PRESIDENT & COO: GREG MCKENZIE

Quebec Office: Bicybec Ltée.
5200, rue Ramsay
St. Hubert, Quebec
J3Y 2S4
Phone: (450) 445-8719
Fax: (450) 445-8831
OPERATIONS MANAGER: GENEVIEVE DEMERS

Placard Pty Ltd.
40 London Drive
Bayswater, Victoria
3153 Australia
Phone: 011 613 9 729 4599
Fax: 011 613 9 729 8845
MANAGING DIRECTOR: CHRIS OGILVY

Optus Corporation
1 First Canadian Place, Suite 5835
Toronto, Ontario
M5X 1E3
Phone: (416) 362-1700
Fax: (416) 362-7922
www.optuscorp.com
PRESIDENT & COO: JON HANTHO

Maxxcom Inc. (Marketing Communications Division)

Head Office
35A Hazelton Avenue
Toronto, Ontario, Canada
M5R 2E3
PRESIDENT & CEO: BEVERLEY MORDEN

Phone: (416) 960-6090
Fax: (416) 960-6093
www.maxxcominc.com

Accent Marketing Services Ltd.
325 West Main Street
Suite 1400
Louisville, Kentucky
40202
Phone: (502) 540-5000
Fax: (502) 540-5574
www.accentonline.com
CEO: TOM HANSEN

Accumark Promotions Group Inc.
240 Duncan Mills Road
Suite 101
North York, Ontario
M3B 1Z4
Phone: (416) 446-7758
Fax: (416) 446-1923
PRESIDENT: TOM GREEN

Allard Johnson Communications Inc.
10 Lower Spadina Avenue
Suite 400
Toronto, Ontario
M5V 2Z2
Phone: (416) 260-7000
Fax: (416) 260-7100
PRESIDENT & CEO: TERRY JOHNSON

Ambrose Carr Linton Carroll Inc.
939 Eglinton Avenue East
Suite 203
Toronto, Ontario
M4G 4E8
Phone: (416) 425-8200
Fax: (416) 425-5962
PRESIDENT & CEO: ESMÉ CARROLL

Bryan Mills Group
39 Cosentino Drive
Scarborough, Ontario
M1P 3A3
Phone: (416) 292-3997
Fax: (416) 292-3656
www.bryanmills.com
PRESIDENT & CEO: NANCY LADENHEIM

Campbell & Partners Communications Inc.
43 Front Street East
4th Floor
Toronto, Ontario
M5E 1B3
Phone: (416) 868-9790
Fax: (416) 868-9828
PRESIDENT: BARRY CAMPBELL

Colle & McVoy Inc.
8500 Normandale Lake Blvd.
Suite 2400
Minneapolis, Minnesota
55437-3809
Phone: (612) 897-7505
Fax: (612) 897-7583
www.collemcvoy.com
CHAIRMAN & CEO: JIM BERGESON

Cormark Communications Inc.
369 York Street
Suite 2A
London, Ontario
N6B 3R4
Phone: (519) 673-1380
Fax: (519) 673-4846
www.cormark.com
PRESIDENT: DAVID EDWARD

CyberSight, LLC
220 NW Second Avenue
Suite 1100
Portland, Oregon
97209
Phone: (503) 228-4008
Fax: (503) 228-3629
www.cybersight.com
PRESIDENT & CEO: ANDREW SHAKMAN

Fletcher Martin Ewing LLC
18 International Boulevard
Atlanta, Georgia
30303
Phone: (404) 221-1188
Fax: (404) 222-9001
www.fmeonline.com
PRESIDENT & CEO: ANDY FLETCHER

Integrated Healthcare Communications Inc.
140 Spadina Avenue
Suite 201
Toronto, Ontario
M5V 2L4
Phone: (416) 504-8733
Fax: (416) 504-8737
PRESIDENT & CEO: LOUISE HUNEAULT

Margeotes | Fertitta + Partners, LLC
411 Lafayette Street
New York, New York 10003
Phone: (212) 979-6600
Fax: (212) 979-5490
www.margeotes.com
PRESIDENT & CEO: GEORGE FERTITTA

McManus Elliott Communications Inc.
40 University Avenue
Suite 400
Toronto, Ontario
M5J 1T1
www.mcmanuselliott.com
Phone: (416) 979-8300
Fax: (416) 979-8638
PRESIDENT, MARKETING COMMUNICATIONS: LINDA O'CONNOR
PRESIDENT, INVESTOR RELATIONS: RON MacINNES

News Canada Inc.
111 Peter Street
Suite 404
Toronto, Ontario
M5V 2H1
Phone: (416) 599-9900
Fax: (416) 599-9700
www.newscanada.com
PRESIDENT & PUBLISHER: RUTH DOUGLAS

Northstar Research Partners Inc.
The Sterling Tower
372 Bay Street, Suite 1600
Toronto, Ontario
M5H 2W9
Phone: (416) 907-7100
Fax: (416) 907-7149
PRESIDENT: STEPHEN TILE

Source Marketing, LLC
1720 Post Road East
Westport, Connecticut
06880
Phone: (203) 256-5650
Fax: (203) 256-5626
www.sourcemkt.com
PRESIDENT: HOWARD STEINBERG

Strategies International
135 Berkeley Street
Toronto, Ontario
M5A 2X1
Phone: (416) 366-8883
Fax: (416) 366-2151
PRESIDENT: FRASER MCCARTHY

Veritas Communications Inc.
161 Eglinton Avenue East
Suite 704
Toronto, Ontario
M4P 1J5
Phone: (416) 482-2248
Fax: (416) 482-2292
www.veritascanada.com
PRESIDENT & CEO: JENNIFER SPENCER

Other

A.E. McKenzie Co. Inc.
30 Ninth Street
Suite 100
Brandon, Manitoba
R7A 6E1
Phone: (204) 571-7500
Fax: (204) 728-8671
PRESIDENT: MICHAEL FEARON

Computer Composition of Canada Inc.
12 Stanley Court
Whitby, Ontario
L1N 8P9
Phone: (416) 283-2382
Fax: (905) 430-2412
PRESIDENT & CEO: JOE BUGELLI

Pro-Image Corporation
1805 Loucks Road
York, Pennsylvania
17404
Phone: (717) 764-5880
Fax: (717) 764-6140
PRESIDENT & CEO: JOE BUGELLI

Regal Greetings & Gifts
7035 Ordan Drive
Mississauga, Ontario
L5T 1T1
Phone: (905) 670-1126
Fax: (905) 670-1127
PRESIDENT & CEO: RICHARD GYDE

Primes de Luxe
909, boul. Pierre-Bertrand
Bureau 100
Ville Vanier, Quebec
G1M 3R9
Phone: (418) 527-4155
Fax: (418) 527-2272

Legal Counsel

Canada
Fogler, Rubinoff — Toronto, Ontario

USA
Simpson Thacher & Bartlett —
New York, New York
Skadden Arps Slate Meagher & Flom —
New York, New York

Auditors
BDO Dunwoody LLP

Bankers
Royal Bank of Canada
Canadian Imperial Bank of Commerce
Bank of Nova Scotia
Bank of Montreal
The Toronto Dominion Bank
Caisse de dépôt et placement du Québec
Comerica Bank — Canada
Laurentian Bank of Canada

Transfer Agent
CIBC Mellon Trust Company
CIBC Mellon Trust Company operates a telephone information inquiry line that can be reached by dialing toll-free 1-800-387-0825 or (416) 643-5500.
Correspondence may be addressed to:
MDC Corporation Inc.
c/o CIBC Mellon Trust Company
Corporate Trust Services
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5G 2M7

Investor Relations
For Investor Relations information please call Janice Wadge, Senior Vice-President, Corporate Planning and Communications (416) 960-9000.

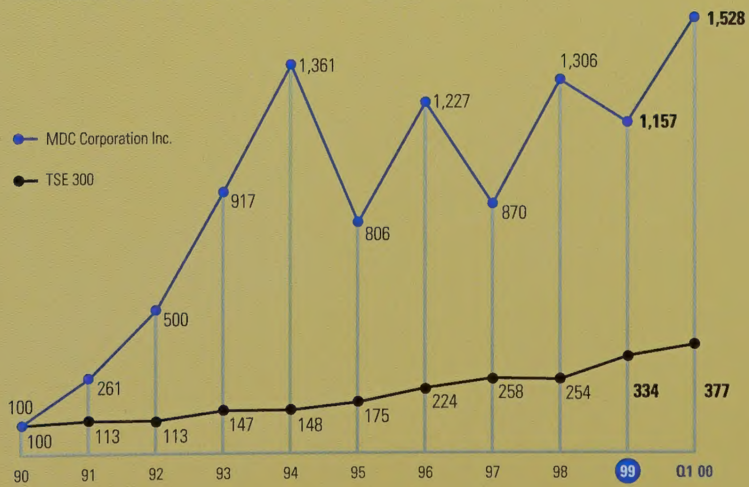
Stock Exchange Listing
The Class A Shares of the Company are listed on The Toronto Stock Exchange and on the NASDAQ National Market in the United States.

The Toronto Stock Exchange Trading Symbol
MDZ.A

NASDAQ National Market
MDCA

Notice of Shareholders' Meeting
The annual meeting of shareholders will be held Thursday, May 25, 2000 at 4:30 p.m. at the Design Exchange, Toronto Dominion Centre, 234 Bay Street, Trading Floor, Toronto, Ontario.

CUMULATIVE VALUE OF $100 INVESTMENT
In Canadian dollars, as of each fiscal year end and the first quarter of 2000



DESIGN: BRYAN MILLS GROUP

MDC
CORPORATION INC.

45 Hazelton Avenue
Toronto, Ontario, Canada
M5R 2E3

Phone: (416) 960-9000
Fax: (416) 960-9555

visit us on the web

www.mdccorp.com